







OPINION

Herald Tribune

Disarming the Thugs

Americans take quiet pride in the army they have sent to help relieve Somalia's agony, but as Operation Restore Hope rolls on a nagging doubt arises. After years of chaotic civil strife, Somalia is awash in guns and gunfighters. What is the sense of temporarily keeping the peace, so that starving Somalis can be fed, if the thugs who prey on them keep their arms?

Dark Days in Moscow

Pro-reform Boris Yeltsin, elected democratically, tried to work out a compromise with Russia's substantially anti-reform Congress, elected undemocratically. But the Congress defied him, and a frustrated President Yeltsin demanded a quick all-or-nothing popular referendum on whether or not Congress should end. It was a bold, even incautious move in which he was risking reputation for himself and reform if he lost and society for a generation if he won.

Clinton's Managers

Bill Clinton's announcement of four more high-level appointments on Friday made it clear that he intends to run a problem-solving administration — creative but not ideological, energetic but not confrontational. His managers, he said, must know "the limits of what government can do as well as what government must do."

Other Comment

India Back From the Brink?

India's economic problems are huge and [P. V. Narasimha] Rao, by not being firm enough soon enough in the Ayodhya affair, has squandered some of the authority needed to keep his party in line. The destruction of the mosque has now brought from the prime minister commendably forceful reactions, among them a welcome promise to reinvent the firmness runs the risk of inflaming Hindu passions still further.

India's cracks are so many and manifest that its unifying resilience is sometimes overlooked. The truth is that Ayodhya's violence is the latest in a line of crises, including the storming of the Sikh temple in Amritsar and the assassinations of Mahatma Gandhi and Rajiv Gandhi. On each occasion India has stepped toward the brink of disintegration — and then stepped back. Rationing Indians, whatever their religion, should realize that secularism keeps their country on the safe side of the brink.

Never Again? Beware, Europe, Cynicism Is Contagious

By Leslie H. Gelb

NEW YORK — The day will soon come when two groups of leaders are charged with crimes against humanity in Bosnia: the Serbs who kill Muslims or drive them from their homes, and the Western leaders who do little to stop this unspeakable brutality.

If Europeans once again ignore genocide and evil and decline to be their brothers' keepers, Americans may not want to be Europe's keepers much longer.

to confront this evil is worse than a blunder; it is an abdication of our humanity. We are speaking here not just of quagmires, but of our souls. For if we allow evil to triumph in ex-Yugoslavia, we will breed a cynicism so pervasive and profound as to corrode the very basis of Western liberty and smash every hope of fashioning a better world.

to arm Muslims for self-defense, but not defending them ourselves; banning Serbian flights over Bosnia, but not enforcing the ban; denying asylum to refugees, but failing to establish safe havens for them within Bosnia — amounts to unconscionable cynicism. It is as if we were given the chance to replay history and confront Hitler as his troops marched into the Rhineland in 1936 — knowing all we now know — and once again simply scolded him and shrugged.

When we say "Never forget, never again," what are we talking about? What is it that we shouldn't forget? Of course, the Jews in Germany, and of course, what can happen if anti-Semitism gets out of hand. But more broadly we're saying, when forces of intolerance go wild you get a result that is basically intolerable. So if we say "Never again," it means we say we shouldn't stand for that.

The democracies can arm the Muslims, enforce the trade embargo and the flight ban over Bosnia, bomb Serbian forces in Bosnia and military targets in Serbia, threaten to air Serbia's opponents elsewhere in ex-Yugoslavia and provide safe havens in Bosnia. Most of these steps are beyond the vision and will of the departing Bush team. Bill Clinton leans toward more decisive measures, but his administration will not take hold for more than a month. That places the burden for immediate and strong action in Bosnia squarely on Europe. If Europeans once again ignore genocide and evil and decline to be their brothers' keepers, Americans may not want to be Europe's keepers for much longer either.

Empty Threats Won't Stop Milosevic

By Jim Hoagland

WASHINGTON — George Shultz is a man of very few words. A former staffer describes the effect when Mr. Shultz was abruptly named to replace Al Haig as secretary of state in 1982: "It was like going from sitting on a couch beside a bottle of nitroglycerin that could tip over at any moment to sitting on a hot stove."

The Serbs are using helicopters to evacuate wounded and to move officers and troops around Bosnia. Fixed-wing aircraft fly reconnaissance missions. Intelligence reports show that there have been nearly 200 Serbian violations of the UN ban on military flights over Bosnia since the ban was passed on Oct. 9.

crisis has reached the time for the West to try or shut up. America's policy of trying to contain the Serbs with words and a leaky embargo has failed in Bosnia. Britain and France have 7,000 soldiers in UN humanitarian force delivering relief supplies in Bosnia. Those troops are increasingly under siege from Serbian forces grabbing territory and terrorizing Bosnians before the Balkan winter limits the Serbs' heavy war-making ability.

any more seriously than the other warnings we have given that they have not been willing to back up. This has been the fundamental flaw in American policy in ex-Yugoslavia. Early and repeatedly, U.S. policymakers have communicated to the Serbian dictator threats that they had no intention of carrying out. The Bush administration has openly admitted its lack of political will to act in ex-Yugoslavia.



er one final, credible warning directly to Mr. Milosevic, outside UN channels, calling on him to enforce a cease-fire in Bosnia and prevent anti-Muslim atrocities in Kosovo. The West must insist on Serbian cooperation in getting several thousand civilian observers into Kosovo and should begin organizing a much larger deterrent force to be deployed in neighboring Macedonia.

Vicious Rape, Planned and Systematic

By Slavenka Drakulic

ZAGREB, Croatia — What is happening in Bosnia-Herzegovina to Muslim and Croatian women seems unprecedented in the history of war crimes. Women are raped by Serbian soldiers in an organized and systematic way, as a planned crime to destroy a whole Muslim population, to destroy a society's cultural, traditional and religious integrity.

lized. They put hundreds of us in a school in Doboj and they turned it into a kind of camp. Our Serbian neighbors locked us in. I knew many; they used to visit our house. As soon as we entered a camp, [followers of Milan Martić, a Serbian leader] came in with guns and selected younger women and girls. They put them in the hall and told the Chetniks to do with the women what they pleased.

of a leader of the Muslim party. My neighbor tortured me the most, the one my husband respected as his own brother. By the end of June, Chetniks brought another neighbor of ours and with a gun pointed at him they forced him to rape a 14-year-old girl. He stood trembling and stuttering with fear. Then he turned to a Chetnik he believed was a leader and said: "Don't make me do it. I have known her since she was born. I have father and I drank to her birth."

Better to Steer Clear of the Balkans

The only way to bring peace to Yugoslavia is to send soldiers there. These soldiers in effect will have to hold guns to the heads of the combatants and demand that they stop their slaughter. European and American leaders rightfully shrink from this prospect. They realize that enforcing peace on the ground would take months of intense fighting and years of attrition.

Western leaders grasp that even when "peace" is won, it can be maintained only by troops indefinitely stationed between hostile tribes. These leaders understand that peace in Yugoslavia ultimately requires highly coercive measures, including the large-scale resettlement of minorities to create stable states. In short, these leaders know that ending the killing requires a savage war of peace, brutalizing to all concerned.

Trying a Powell Doctrine in Somalia

By Stephen S. Rosenfeld

WASHINGTON — Somalia is Colin Powell's operation. As much as anyone, he is its author as well as its executor. He made it happen by endorsing a new post-Cold War mission of peacekeeping and humanitarianism and by releasing the military's brake on risk in this particular case.

On the eve of the intervention, General Powell laid out his rationale in Foreign Affairs magazine. His precision does credit to an uncommonly political soldier, "political" meaning global and Washington at the same time. Only last year General Powell was dismissing the very idea of spelling out how American power would be deployed. The Gulf War had left him saying giddily that it was enough for the United States simply to be a superpower. He was impatient at the thought of defining specific standards for military intervention. But he has since addressed these essential questions, in part to fill a Pentagon requirement for military missions ample and popular enough to justify a budget.

currents flowing from a lame-duck, foreign affairs president's reach for a last hurrah. This intervention, in short, was rushed. Still, it is worthy. We Americans should not strut. In our Cold War mode we created the monster, the deposed strongman Mohammed Siad Barre, who hollowed out Somali society and spawned the prevailing anarchy. But we can be directly proud of this first use of force for humanitarian purpose in a region of no strategic significance to the United States. A Republican administration, no less, is setting a historic example to assert a starving people's right to food.

derant political influence? What about disarming gunmen, an unenviable provocative act by which uninvited foreigners forcibly strip Somali citizens? How do you cut loose, under conditions that deter early appeals to return, in the allotted few months? Can Americans' education in Somali politics proceed at a pace suitable to American political requirements, and to Somalia's? Some encouragement can be taken from the state of affairs described in the press: the old government disintegrated and warlords and bandits running free. But there still exist regions of relative order, and the former UN representative, Mohamed Sahnoun of Algeria, had already begun knitting clan elders and some national-minded figures into a political process. Secretary-General Butros Butros Ghali, by the way, should swallow the United Nations' pride at being criticized by a hired hand and put Mr. Sahnoun, an international resource, back on an job.

Later they would leave the girls' dead bodies in the hall, so we had to see them. We cried until morning. Then they would throw the bodies in the river. Every day the same picture was repeated; they would rape and kill in front of hundreds of us. Once a young woman with a baby was taken in the middle of the hall. It was in June. They ordered her to take off her clothes. She put the baby on the floor next to her. Four Chetniks raped her; she was silent, looking at her crying child. When she was left alone she asked if she could breast-feed the baby. Then a Chetnik cut the child's head off with a knife. He gave the bloody head to the mother. The poor woman screamed. They took her outside and she never came back. I was raped and tortured, too, because they knew that I am a wife

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO

- 1892: Russia and Rome
ROME — Relations between the Vatican and Russia have become extremely cordial. The visit of the Grand Duke Sergius to Leo XIII was a symptom of this friendliness, and the goodwill of the Vatican towards the Government of the Czar has not been confined to words, but it has found practical expression in a brief addressed to the Polish bishops, in which they are exhorted to abandon and discourage intransigent tendencies, and to submit to the will of Providence which has made them subjects of the czar.

1942: Vichy Collaborates
LONDON — [From our New York edition:] Marshal Pétain has agreed to Führer Hitler's proposal to raise a new French army, Vichy and Berlin radios announced today [Dec. 13] as the Fighting French at London reported Hitler had ordered 400,000 French workers conscripted for war work in Germany. Both steps indicated closer co-operation between Germany and the French government of Pétain and Pierre Laval. Berlin radio also announced a press conference held by Laval today in which he "for the first time outlined a 'big program,' which included new anti-Jewish measures and other steps to put France in line with Hitler's new order. Laval admitted that "a lack of understanding shown by the public opinion in France still is forming a wall of separation between France and Germany."

OPINION

Humanitarian Intervention Has Its Hazards

By Henry Kissinger

NEW YORK — In light of the wave of approval for the dispatch of American combat forces to Somalia, it may seem churlish to voice reservations. The objective is noble and some kind of international action is appropriate. What is questionable is the timing and the unilateral nature of the American role in a continent heretofore free of American military presence.

Normally, one would not expect an enterprise with such potentially long-term consequences to be launched in the last five weeks of a presidency. The president-elect is as yet without a national security team to help him make his own assessments. His entourage has been careful to note that although he is "supportive," he did not participate in the actual decision. He will therefore inherit commitments that he has had no part in shaping — not the ideal circumstance for a sustained effort should anything go wrong.

It is unlikely that the mission assigned to the expeditionary force can be accomplished as quickly or as smoothly as administration briefings foresee. According to General Colin Powell, the Pentagon envisages a two-phase operation: First, the U.S. forces are to create a secure environment, then a multinational United Nations force will protect it. That first stage could be prolonged.

One must hope that the forces described as bandits in the media do not keep abreast of American public discussion. They may decide to lie low, neither harassing nor disarming, hide their weapons or take sanctuary in Ethiopia and face America with the dilemma of withdrawing prematurely or continuing what may then be an open-ended commitment.

To escape this dilemma, the U.S. force will almost certainly try to force the various armed groups to disarm — as some administration spokesmen have already indicated. This could turn into a messy affair with significant casualties, especially on the Somali side.

When blood has been shed, support for the American military action may evaporate, especially in Africa. Former colonies have developed an allergy to anything that smacks of the "civilizing role" that European empires claimed for themselves on African soil.

As difficult as establishing the dividing line between the security function and its follow-up will be making the crucial distinction between humanitarian efforts and the civil conflict over who controls Somalia. Civil wars are about the distribution of power, physical and political. The process of disarming will by definition affect the relative position of key competitors for political power — as we have learned again in Cambodia.

Should disarmament go as planned, some sort of governing structure possessing preponderant power must be left in place. All this obliges the United States to understand Somali conditions well enough to manage the situation in a way capable of achieving an international, especially African, consensus.

But can Americans possibly know enough? And if the key challenge is

political, why should America choose to play that role alone or be the only country to run significant military risks? Intervention in the civil conflict seems inherent in the U.S. role. Food will have to be distributed, a process in which some groups of Somali officials must be involved. These will automatically receive an edge in establishing political domination afterward.

Once media and other observers descend on the scene, they are certain to find conditions deeply offensive to the Western sensibility. They will urge a whole variety of initiatives, from ending corruption to the administration of justice, that make eminent sense in the Western context. None can be accomplished without greater intervention. Sooner or later, no matter how well-intentioned, such conduct will begin to grate on African sentiments that in turn will tend to undermine domestic American support for the operation.

If the Somali bandits are so poorly armed, why was America's technological and military superiority so crucial? The United States may be the only country with sufficient modern equipment for rapid intervention, but this, involving mostly transport, could have been put at the disposal of other countries.

Since reform depends on moral issues which are presumably of universal validity, why were no other countries involved in the first and most complicated phase, in particular the Organization of African Unity? The Bush administration would have been far better off to gear the intervention from the beginning to what is now conceived as the second-stage multinational force.

The Bush administration would have been well advised to sacrifice some military efficiency to wider political backing, but two factors inhibited it: the new Pentagon approach toward military intervention which says that never again must American military power be vitiated by political restraint; and another new philosophy that differentiates between humanitarian and strategic intervention.

The military view that, once employed, American force must be overwhelming reflects the supposed lesson of Vietnam. It has much merit, but it must also be said that in Vietnam the military contributed to their own frustration by a misconceived military strategy.

In any event, the lessons of Vietnam or Korea cannot be transposed literally to humanitarian intervention. In a strategic war there is a concrete enemy, and victory has some fairly precise definition. In Somalia the enemy is more elusive: hunger and chaos, the solution to which has a much longer time frame.

In Vietnam, American military effectiveness was reduced by domestic and international inhibitions; in Somalia the risk is the opposite — turning a humanitarian enterprise into an essentially American military effort disconnected from political realities.

The new doctrine of "humanitarian intervention" is based on the proposition that, the end of the Cold War having removed the strategic threat, traditional military operations become much less important. Moreover, so the argument goes, excessive concern with security led to strategic overextension and an illusion of American omnipotence. Therefore in the post-Cold War world the United States

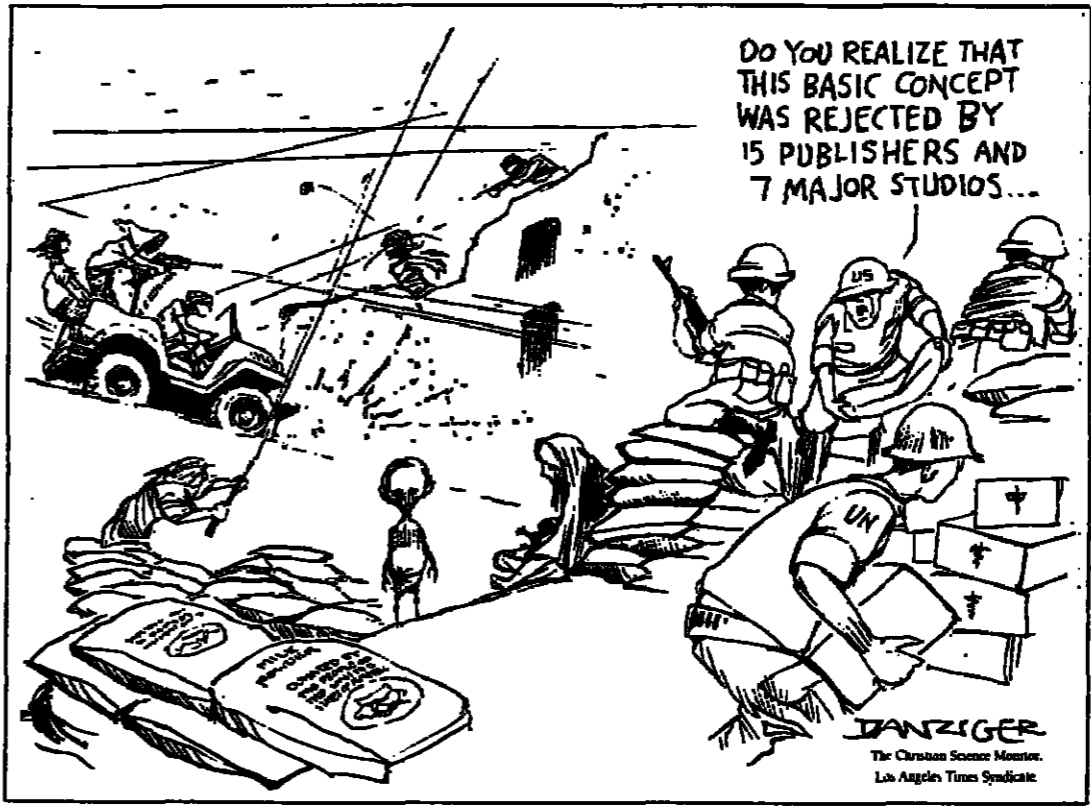
would be well advised to fight primarily for humanitarian and moral values, and not simply for its own interests.

In fact, moral purpose has been an integral part of the motivation of every American war in this century — from the "war to end all wars" in 1917, to resisting totalitarian evil in World War II, to the fight against Communist aggression in Korea and Vietnam. From Woodrow Wilson through George Bush, the altruistic aspect of American foreign policy has been a dominant presidential theme. The new approach claims an extension in the reach of morality, not in the significance attached to it.

We must not pretend that America fights where it has no strategic interests. Whenever American lives are at stake, so is a conception of vital interests — or else the sacrifice mocks the anguish of bereaved families. The world of the '90s demands of America a new definition of vital interest, strategic as well as moral.

In the traditional world of geopolitics, there is no longer a danger of an immediate, almost measurable peril. But there remains the historic danger of a gradual transformation of the security framework through a cumulative series of steps, none of which will appear individually as overwhelming as the threats of the Cold War were.

In Kuwait the United States resisted because George Bush concluded that the consequences of submission would ultimately lead to far greater American sacrifices. As the '90s progress, comparable judgments will be increasingly required on as yet unforeseeable issues. If the United States wants to avoid the extremes of overextension or abdication, it must develop new criteria separating challenges affecting American well-being



DO YOU REALIZE THAT THIS BASIC CONCEPT WAS REJECTED BY 15 PUBLISHERS AND 7 MAJOR STUDIOS...

and security from those which, however unpalatable, cannot have that impact.

"Humanitarian intervention" asserts that moral and humane concerns are so much a part of American life that not only treasure but lives must be risked to vindicate them; in their absence, American life would have lost some meaning. No other nation has ever put forward such a set of propositions.

The more abstract nature of humanitarian intervention therefore involves an

even greater danger of overextension and of assuming the role of world policeman. For if it is appropriate to use American forces for humanitarian purposes in Somalia, why not elsewhere?

The American foreign policy trauma of the '60s and '70s was caused by applying valid principles to unsuitable conditions. Care must be taken not to repeat the same tragedy in the '90s with a wider set of equally important principles. Americans must not seem to be claiming

for themselves a doctrine of universal unilateral intervention, all the less so as they cannot want to encourage some future rogue nation to decide to use the slogan of "humanitarian intervention" for expansionist designs.

Moral claims can be asserted as a national prerogative only at the cost of long-term domestic and international support. It will be difficult to persuade the American people indefinitely that they have a greater responsibility for starvation in Somalia than the European nations and those of Africa itself. These must be prepared to help by providing political backing and military forces. American unilateral intervention should occur only when all alternatives for genuine international action have been exhausted, and if the cause permits no other remedy.

Even then, American military actions cannot be successful or sustainable if they are divorced from political realities. With respect to Somalia, this leads to three conclusions:

- Unilateral American security operations should be terminated rapidly.
- The first- and second-stage military contingents in Somalia should be merged from the beginning, with the American component reduced to reasonable proportions within a short, fixed time frame.
- The political aspect (anything bearing on civil administration) should be internationalized quickly and fortified with a significant African component.

More than two decades ago, while I was discussing extraction from Vietnam with an acquaintance, he told me the story of a Russian peasant who came running into his village to get help for a man stuck up to his ankles in mud. When told that this did not sound too serious, he replied, "But he died in head first."

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Vietnam, Lebanon, Gulf — but Does Anybody Remember Munich?

By William Pfaff

PARIS — Policymakers think in metaphors, and for American interventions abroad the metaphors are few: Vietnam, Lebanon, the Gulf. Each is supposed to supply something useful in making decisions about Somalia and Bosnia — or Azerbaijan-Armenia, Cambodia, Burma, Sudan, Liberia, not to speak of Mozambique. Now the United Nations secretary-general, Boutros Boutros Ghali, has asked for troops to put up the United Nations colors and keep the peace in Macedonia.

Consider the metaphors. For Americans, Vietnam means irresolvable entanglements in another country's violent internal political struggles (or its revolution). Lebanon means the same thing, except that the internal conflict was religio-political this time, and the United States put itself into a situation where four other uncontrollable actors determined what would happen: the Palestine Liberation Organization, Israel, Iran and Syria.

The rationale for the intervention in Vietnam was to save South Vietnam from Communist aggression. Unfortunately, there was no aggression; there was insurrection. North Vietnam was not a foreign power; it was that part of the Vietnamese nation which had first expelled the foreigner. China had no decisive role in Vietnam, contrary to what stubbornly was insisted in Washington. The lesson that ought to have been learned was not to think ideologically.

The Gulf War was a clear case of aggression. U.S./UN intervention reversed the aggression, even if the aggressor regime comfortably survived. The lesson confirmed at the Pentagon was always to use overwhelming force, and the lesson drawn at the White House was not to stop before overturning the aggressor government. However, the reason the United States did not go on to try to impose its will on Iraq's political society was that the White House had learned the lessons of Vietnam and Lebanon.

No sensible operational rationale was ever offered for the American intervention in Lebanon in 1983, which produced the death of 241 marines at the hands of Islamic fundamentalists. The lesson the military learned from the experience was never to permit their security to depend upon others, and always to demand clear-cut objectives.

The latter are not always available, however. The American objective in Somalia is to "restore hope." What does this mean in tons of food delivered, medicines administered, roads opened (to be kept open), clansmen disarmed, infrastructure restored? How will restored hope last beyond Jan. 20 if the United States or the United Nations do not re-create some kind of Somali political authority?

And how is that to be done? The Somalia problem is anarchy. Starvation is due to chaotic clan conflict. The situation bears a superficial resemblance to Lebanon, but a misleading one in that the Lebanese factions all were purposeful, disciplined and rational within their own terms, and none of this is true for the Somali clans.

The United States has intervened in the belief that it can deal with the starvation and ignore the anarchy. This is unlikely to prove to be true.

The other African societies that are candidates for intervention are in much the same condition of political and social breakdown. People are hungry. They need government, police and public order, reconstructed economies and agriculture. Mr. Boutros Ghali is one of the few who are interested.

Elsewhere, atrocious crimes invite intervention: "ethnic cleansing" in Bosnia and Croatia, and the beginnings of it elsewhere; Saddam Hussein's war on Kurds and the Shiite Marsh Arabs of Iraq; governmental persecution of tribal and political minorities in Burma, etc.

New aggressions await rectification. Serbia's invasion of Croatia and Bosnia-Herzegovina, after each had been duly recognized by the international community, was little different from Iraq's invasion of Kuwait. New acts of international aggression appear to be imminent in the Bal-

kans. Why is the lesson of Munich not respected? The thing about lessons from the past is that they can be used to justify inaction more readily than action, since the past is complex and its contradictions are apparent. The lessons of Vietnam and Lebanon are of the frustration or defeat of interventions. That of the Gulf is of an intervention's limits. But another lesson, not least that of World War II, is of the terrible consequences of inaction and the evasion of responsibility.

America is in Somalia because it does not wish to be elsewhere. Americans have persuaded themselves that it is an easy case for intervention. It is true that decisions concerning military interventions cannot be made in terms of universally valid principles. There are important issues of physical and political practicality, as well as of simple prudence. There is a limit to what can be done for others.

However, the limits currently observed in the United States, and in the West as a whole, seem exclusively those determined by domestic political advantage and the desire to avoid political risk. This is not pragmatism but a form of moral as well as political abdication. And it is precisely for this that history eventually imposes a sanction, a terrible one. That is the final lesson.

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# 1992

## The World's Rendezvous With Europe

The Single Market

Thirty-Second in a Series

EC Unity / The Way Ahead

### A Major Milestone On a Lengthy Road

"The completion of the Internal Market Program in seven years constitutes a remarkable achievement," says a statement by two of the EC commissioners most responsible for the success of the project, Martin Bangemann and Karel van Miert. "Yet," they add, "January 1, 1993 is not simply a finishing line. It is rather a signpost to the way ahead."

It is an incomplete triumph. One takes a train from Paris to Brussels without producing a passport or meeting a customs official, but arriving by air in Britain is a different story. There are many things to be tidied up — both technical matters, like the level of value-added tax on precious metals, and emotional issues like the import of pets into Britain or the famous German banana issue.

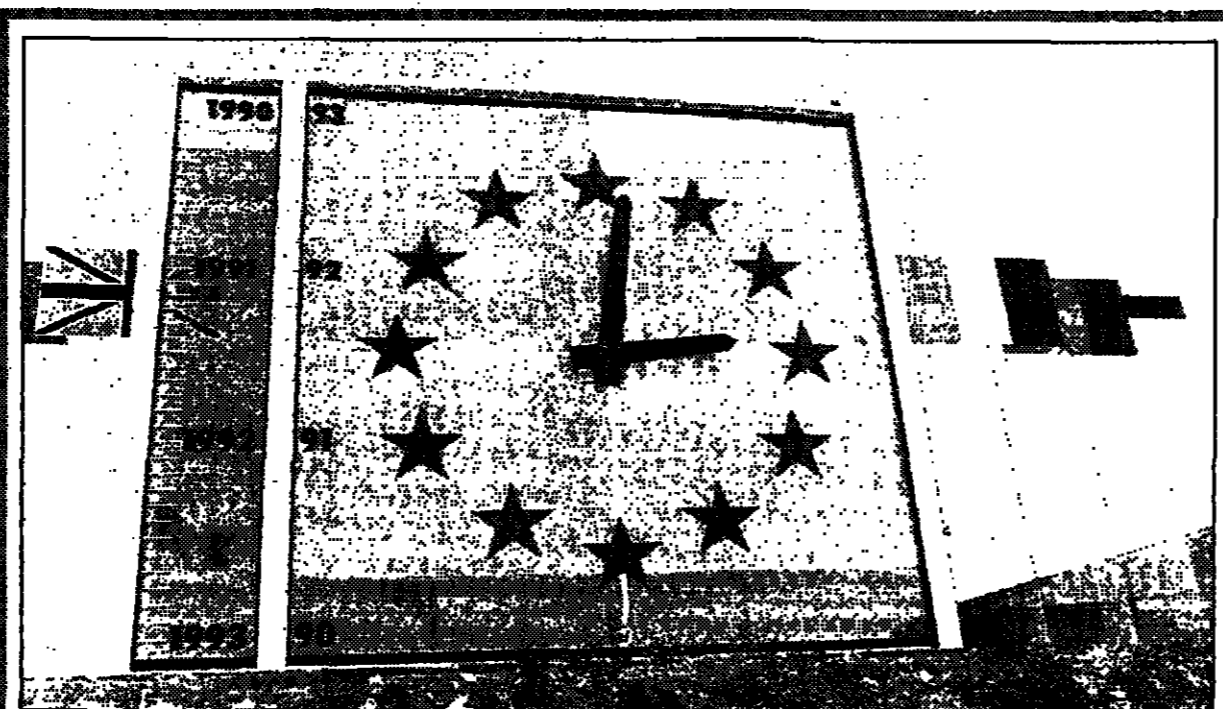
But there is no doubt that the mechanism is in place. Before the Edinburgh summit, 92 percent of the legislative program had been completed, and it was expected to reach 95 percent by the end of the year — a vast body of legislation that has been described as the biggest democratic law-making program in the history of civilization. The Edinburgh summit last week had a right to be self-congratulatory as well as a need to make sober and careful plans for the future.

Nor is any there doubt about the single market's welcome from industrialists and business people who deal in and with Europe. "What has been achieved is truly remarkable," says Julian P.R. Oliver, chairman of the EC Committee of the American Chamber of Commerce. "It will make life easier for us in many respects."

These accomplishments have not come without some sour notes. "In many respects, there will not be a single market on January 1, 1993, or for a very long time afterwards," says a statement by the consumers' group BEUC (Bureau Européen des Unions de Consommateurs). The group is worried that the rights of consumers are inadequately protected. "There is a danger that the single market will develop as a single market for producers and suppliers," it says. These criticisms are being contested.

The commission itself, in a progress report issued in September 1992, has no doubts. "It is fair to say, in view of the decisions already in force, the economic framework for the single market is now in place, with people, goods, capital and services able to move around freely either on the basis of harmonized or common rules or on the basis of mutual recognition." The report adds that the changes have "permitted a fundamental modernization of the environment for companies favorable to their competitiveness on the European and overseas markets" and that the changes

Continued on the following Pages



### 1992: The Culmination of a Series

The plan for an integrated European market by the end of 1992 was "one of the boldest and most far-reaching socio-economic experiments in modern history," according to an article published on March 25, 1988 in the first of the International Herald Tribune's series of advertising sections on "1992 — The World's Rendezvous With Europe."

This is the 32nd installment of the series. Over the past five years, numerous interviews with leading European personalities and articles by a variety of journalists have

detailed how that original inspiration has become a reality.

In that first section, Jacques Delors, the driving force behind the birth of an economic unit serving more than 320 million people, described in an interview the beginning of the idea. "It came following a trip to all EC capitals in the late summer of 1984," he said, adding that it became a priority "because it is a pragmatic concept, realistic and manageable."

It was also hugely complicated and beset with difficulties. A glance through the headlines in-

dicates that there was a continuous awareness that things were not going altogether smoothly — but that things were nonetheless moving forward.

"Do or Die Decade for EC" (April 26, 1988). "Taxes and Tariffs Mar Visions of Unity" (Oct. 8, 1988). "R&D — Can Competitors Work Together?" (May 26, 1989). "EC Bares Teeth in Move on Airline Monopolies" (Jan. 14, 1989). "Political Issues Could Hinder Integration" (Sept. 25, 1989). "Slow, Steady Progress in Implementing Directives" (Nov. 6, 1989). "Media Strive to Capture the Mes-

sage of Change" (Dec. 14, 1989). "Struggle for Accord on Monetary Union" (Sept. 24, 1990). "Software Copyright Law: Still Some Incompatibility" (Mar. 14, 1991). "Monopolies: Slowly but Surely, the Monoliths Crumble" (May 13, 1991). "Dread and Anticipation: Banks Size Up Regulations" (Sept. 23, 1992). "New Technologies Key to EC Markets" (Oct. 12, 1992).

In this, the final section of the series, we seek to sum up where the long-awaited single market stands on the eve of its inception.

K.M.

Interview / Jacques Delors

### One Man's Vision Becomes a Reality

Jacques Delors, president of the EC Commission, outlined his views in the first installment of the 1992 series published on March 25, 1988. Now, with the completion of the series, he sums up his accomplishments, regrets and hopes for the future in an interview with Axel Krause, corporate editor of the International Herald Tribune. Following are excerpts from the interview which, like the first, was conducted in French in his Brussels office:

With regard to the single market plan, what, concretely, will happen at midnight, Dec. 31, 1992?

It will not be a big bang. The realization of the borderless market has been under way, progressively, since 1985. Nevertheless, at the date you indicate, we will have attained the quasi-totality of our goal — 95 percent of the legislation proposed will have been adopted, and 75 percent of what we had originally proposed transformed into national legislation.

As you look back to January 1985 and the launching of the plan, what have been its biggest achievements?

We had eight years of uninterrupted dynamism in the building of European unity. What was decided in 1985 — the single market — was applied. Financial resources to make it happen also were mobilized.

We were able to instill a sense of cohesion, and parallel growth, between rich and poor regions.

What does that mean?

The four EC countries that are the least developed economically — Spain, Portugal, Ireland and, to a lesser degree, Greece — had a rate of development higher than the EC average. In addition, Eurosclerosis has receded, the cooperation between our companies has been fostered and achieved, even though it is still insufficient.

Yes, but currently most EC member countries are in virtual stagnation or recession. Do you agree, as some argue, that Europe's growth prospects have dimmed because of the EC 1992 program?

Not at all. The world has become far too interdependent. We can no longer live and reason as we used to. Today, a slowdown in the American economy has far more impact internationally than 20 years ago. The European recession is due to three factors: the world economic environment, the costs of German reunification and the fact that we, as Europeans, are not yet competitive enough.

When we look at some of the problems still facing Europe — the ratification of the Maastricht treaty, violent tensions stemming from agriculture, GATT, x-

Continued on Page 10

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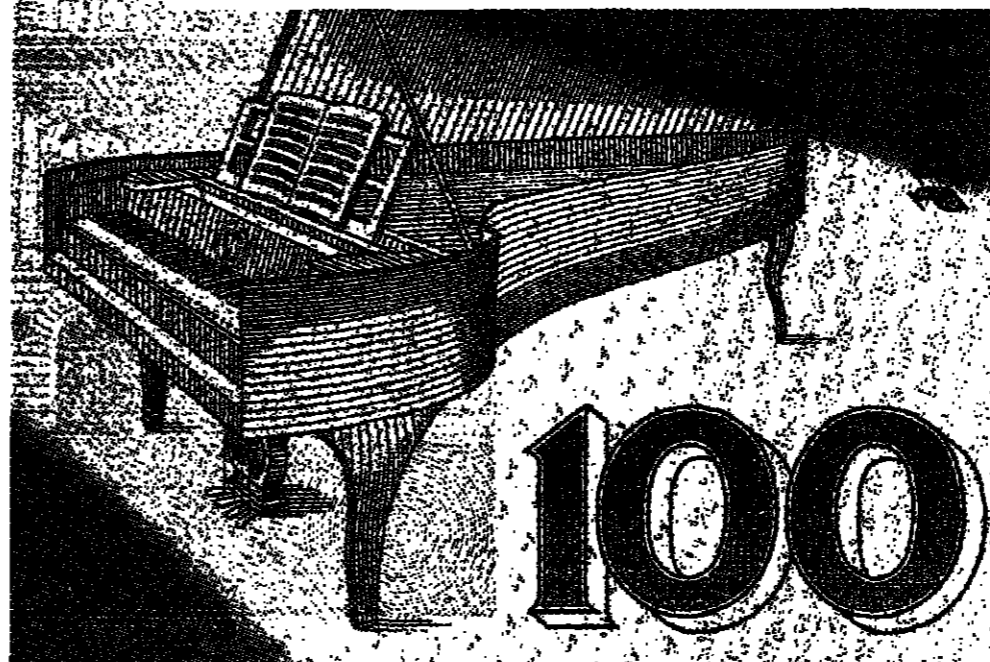
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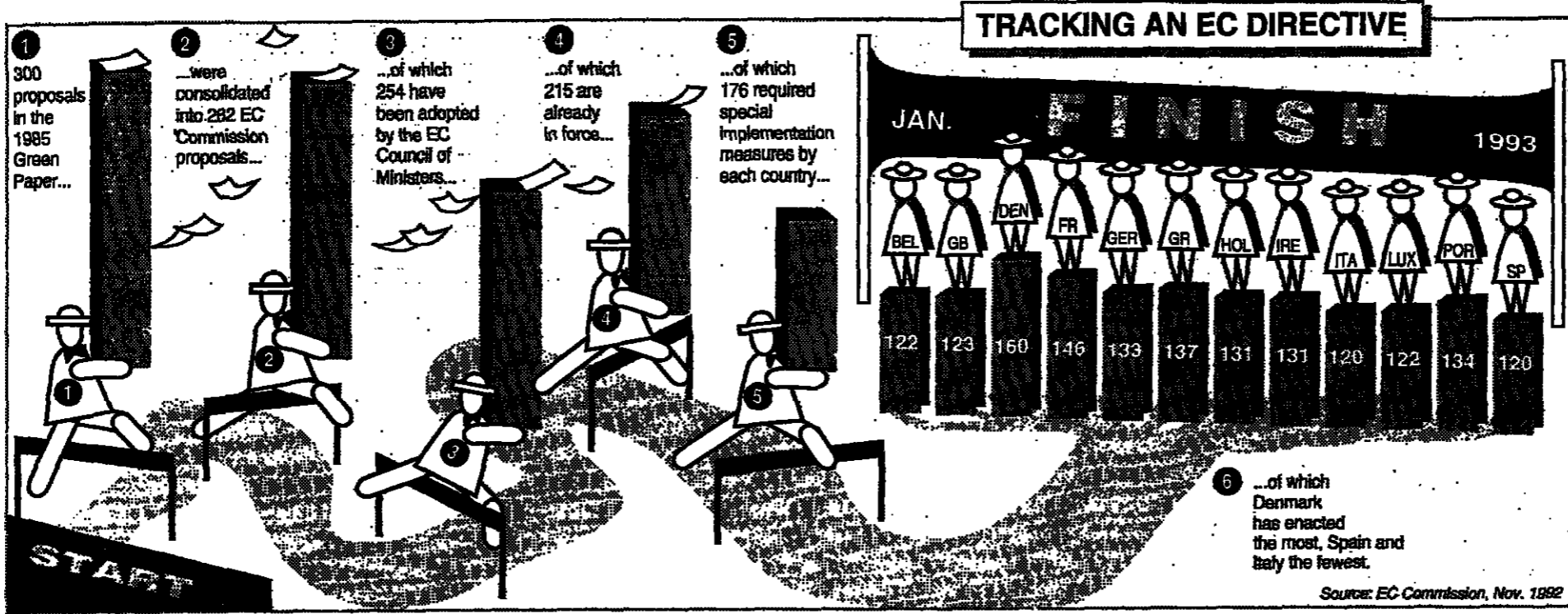
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# 1992 The World's Rendezvous With Europe



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### The Legislative Mountain

The beginning of the dash toward 1992 was the 1985 White Paper on the completion of the internal market — "Our Bible," according to an EC official involved in carrying out the program. The White Paper was drawn up by Lord Cockfield, a Briton who was then commissioner for internal market affairs, working on an idea of Jacques Delors's. It set the deadline and detailed about 300 measures that needed to be taken for the removal of national barriers.

The commission consolidated the program into 282 proposals for directives and regulations. All of these have been drawn up and considered by the European Parliament, and all except one have been given a first reading. Before the Edinburgh summit, 254 had been adopted by the Council of Ministers. Of these, 215 were in force in November 1992.

The EC legislative process works as follows: Proposals are drawn up by the commission and adopted by the Council of Ministers (usually foreign ministers meeting once a month, although finance, agriculture and other ministers can be involved; twice a year a summit of prime ministers meets, as at Edinburgh). The European Parliament is mostly advisory, but must be consulted — the Maastricht treaty aims to increase the powers of parliament. In adopting proposals, the Council of Ministers sets a date for them to come into force. Regulations are simply officially published and automatically come into effect on the date specified. Directives usually have to be transposed into national legislation in all 12 states. The date of entry into force gives them a deadline; if the necessary legislation has not been passed by then, the country is in breach of Community law. In some cases, new legislation is not necessary because existing laws cover the new rules.

Of the 215 measures in force, 176 required national implementation measures. As shown in the accompanying table, some countries are dragging their feet. Italy, for instance, has not implemented more than 30 percent of the measures. Denmark can claim to be the most assiduous, followed by France.

What does all this mean to the man in the street in Paris, or Madrid, or Athens? He will not wake up to a different world on Jan. 1, 1993, but the mechanisms are in place to improve greatly the quality of his life.

"He will be able to work somewhere else in the Commu-"

### Views From the Boardroom

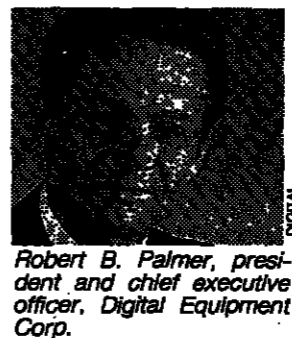
"It has been clear to Digital for some time that the new economic order in Europe presents enormous opportunities. Digital has always encouraged the elimination of barriers to free trade, and we see Europe moving in that direction. We will continue working closely with pub-

lic and private enterprises throughout Europe as this change progresses. The single market requires a new infrastructure to allow activities and resources to be integrated effectively. As a world leader in networking and distributed computing — and as one of only six sup-

pliers accredited to meet the requirements of the EC Commission for its large infrastructure framework contracts — Digital is already participating in the development of trans-European networks in telecommunications, transportation, energy and public administration. European nations are also intent on improving the quality of life. Informa-

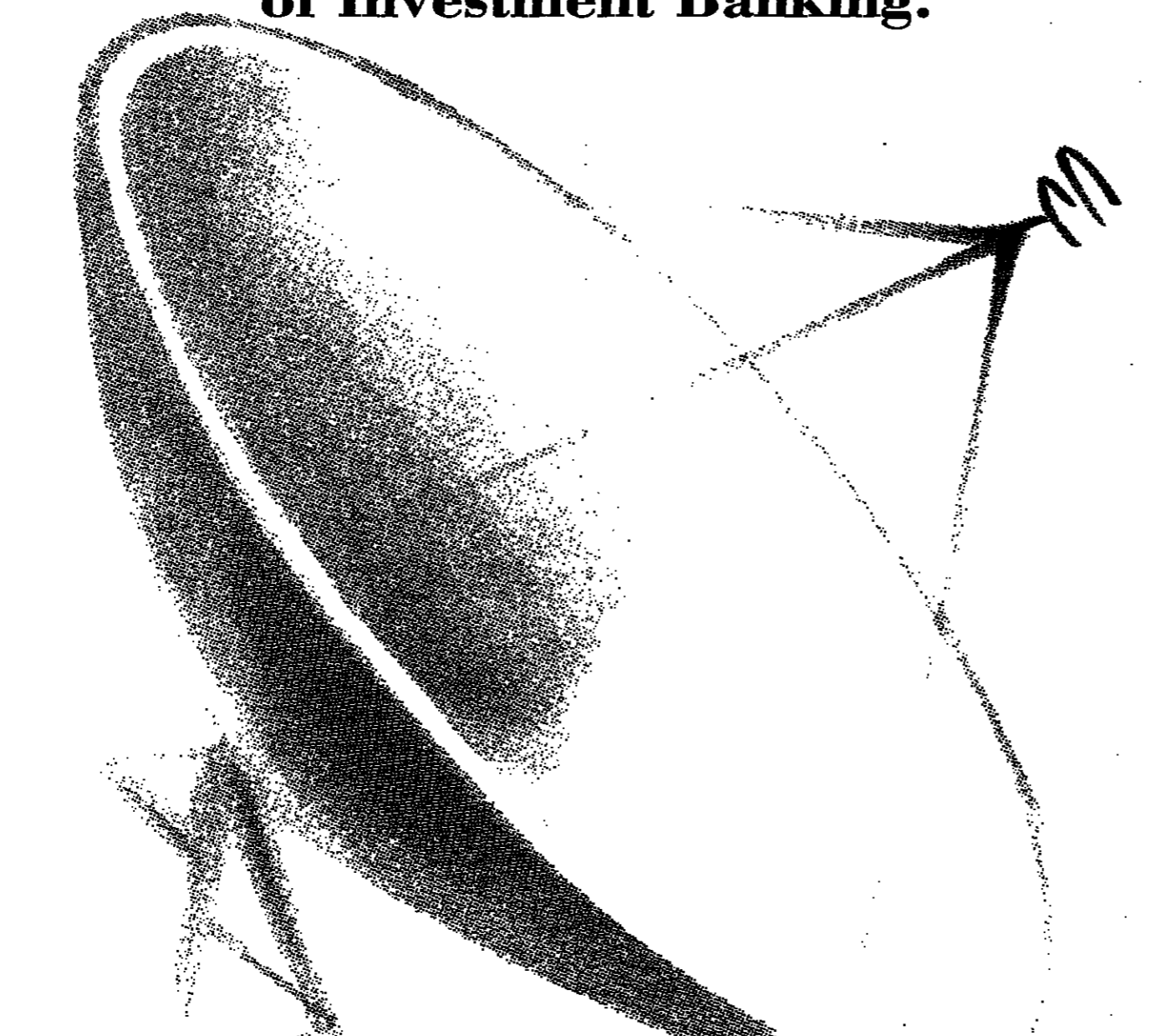
tion technology has an important role to play in health care, education, scientific research and environmental protection. Digital collaborates with governments, research institutions and universities to develop and implement advanced solutions that contribute to the enrichment of people's lives. At \$6.8 billion, Europe already represents nearly

half of Digital's annual revenues. With 30,000 employees, subsidiaries in all European countries, products conforming to European standards, a high degree of local content in our products and strong European partners, Digital is well placed to seize the opportunities that result from this European response to the challenge of global change."



Robert B. Palmer, president and chief executive officer, Digital Equipment Corp.

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### United States / New Brooms

## Charting the Direction Of Cross-Atlantic Trade

With the coming of the Clinton administration, U.S. policymakers and businesses are taking the opportunity to rethink their strategies for trade with the European Community.

As President-elect Bill Clinton prepares his economic program and makes the final selection of those who will fill the top positions on his team, some preliminary conclusions may be drawn about the directions his policies will take.

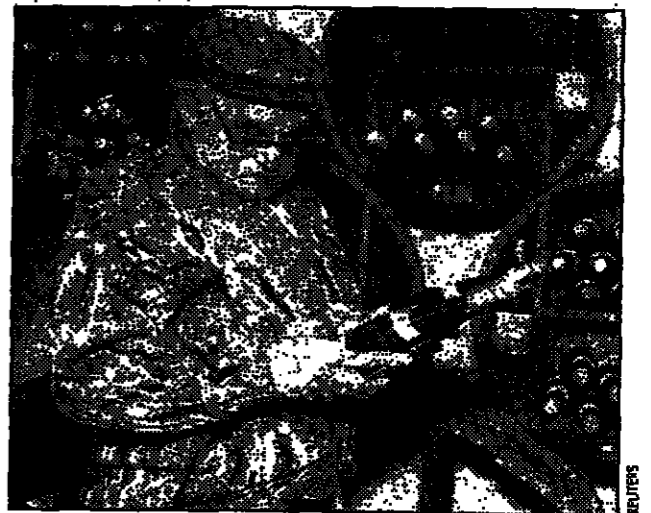
In October, Mr. Clinton said: "The issue here is not whether we should support

that Mr. Clinton will act forcefully if he sees the EC moving to limit access to the single market.

Interestingly, some members of the Clinton circle have shown themselves partial to some of the European programs and policies affecting competitiveness. Ira Magaziner, a business consultant who is on Mr. Clinton's economic policy transition team, has written admiringly about the close cooperation between business and government that produced the Airbus. Mr. Magaziner advised against "fighting

to top \$200 million this year, five years after the company first crossed the Atlantic.

Some of the more established U.S. companies have shaken up their management and operating styles in Europe. ITT, following the sale of its European-based telecommunications business in 1986, has decentralized its substantial European operations, giving them more flexibility and independence. The company closed its landmark Brussels headquarters, and its individual business units — which make auto parts, electronic com-



Combien? In recent trade jussling, the United States threatened a 200 percent tax on French wines.

free trade or open markets. Of course we should. The real issue is whether or not we will have a national economic strategy to make sure we reap the benefits."

This pledge of loyalty to the liberal trade ideal was not just a bow to orthodoxy. Richard Rivers, who served as general counsel for Robert Strauss, special trade representative during the Carter years, says: "I've never met a protectionist governor." He is alluding to the habit of American state governors, like Mr. Clinton and Mr. Carter in his time, to encourage foreign investment and focus on export expansion.

What distinguishes Mr. Clinton from his fellow-Democrat predecessor is a sense that the United States faces a much more profound global economic challenge than it did in the 1970s, combined with a pronounced belief that the government must take an activist approach in dealing with the situation. Much of this activism will take the form of domestic economic policy, but it also means

back with trade negotiations alone," and said that the United States must "accept that all over the world, there's a new way of doing business, one that we have to embrace ourselves."

U.S. companies, for their part, are showing fresh approaches to doing business, whether they are entering the EC market for the first time or are already established on the Continent. The United States has enjoyed a trade surplus with Europe for more than three years. One reason is that the dollar has been low against European currencies, spurring American exports.

U.S. corporate strategies to bolster or refine their European presence are varied. Many newcomers to the market are finding success with more aggressive discounting policies, mail-order operations and enthusiastic after-sales service, methods still relatively uncommon in Europe. They have certainly worked for the Dell Computer Corp. of Austin, Texas, whose European sales are projected

ponents and pumping equipment and provide insurance and hotel services — operate from several European countries. These units took in more than \$5.4 billion in 1991.

IBM has shrunk, cutting its Paris headquarters staff to under 200 employees from 2,500. Now, quasi-autonomous units across Europe operate with their own business plans, aiming to serve specialty clientele. Most important for U.S.-EC trade relations at the moment is GATT. The Nov. 20 accord to end a bitter U.S.-EC dispute over farm subsidies and keep the Uruguay Round of talks under the General Agreement on Tariffs and Trade from failure has provoked protest, especially in France.

Of course, Mr. Clinton himself has not given his blessing to the farm trade agreement. He has said he wants to study it further, a signal that, like France, the United States must take its own national interests into account.

Steve Dryden

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. Steve Dryden is a Washington, D.C.-based journalist. Timothy Harper, a London-based American journalist and lawyer, is the author of "Cracking the New European Markets," John Wiley & Sons, New York. Axel Krause is corporate editor of the International Herald Tribune. Ken Mackenzie is a journalist based in Paris. Clifford Stevens is a business journalist based in Vienna.



# 1992 The World's Rendezvous

The Single Market

... nity if he wishes to," explains an official involved in the program. "He will be able to take his profession to another country, be able to study, arrange for his pension. He will find banks and insurance companies able to cross borders."

The free circulation of goods and services should mean more choice and lower prices. The free movement of capital is important for big business, but the increased prosperity and, it is hoped, growth will mean more jobs and better conditions.

There remain major hurdles, of course. No one thought the task of marrying 12 different cultures would be easy. "There is no question of trying to impose a dominant culture," the official says. "We aim at unity in diversity."

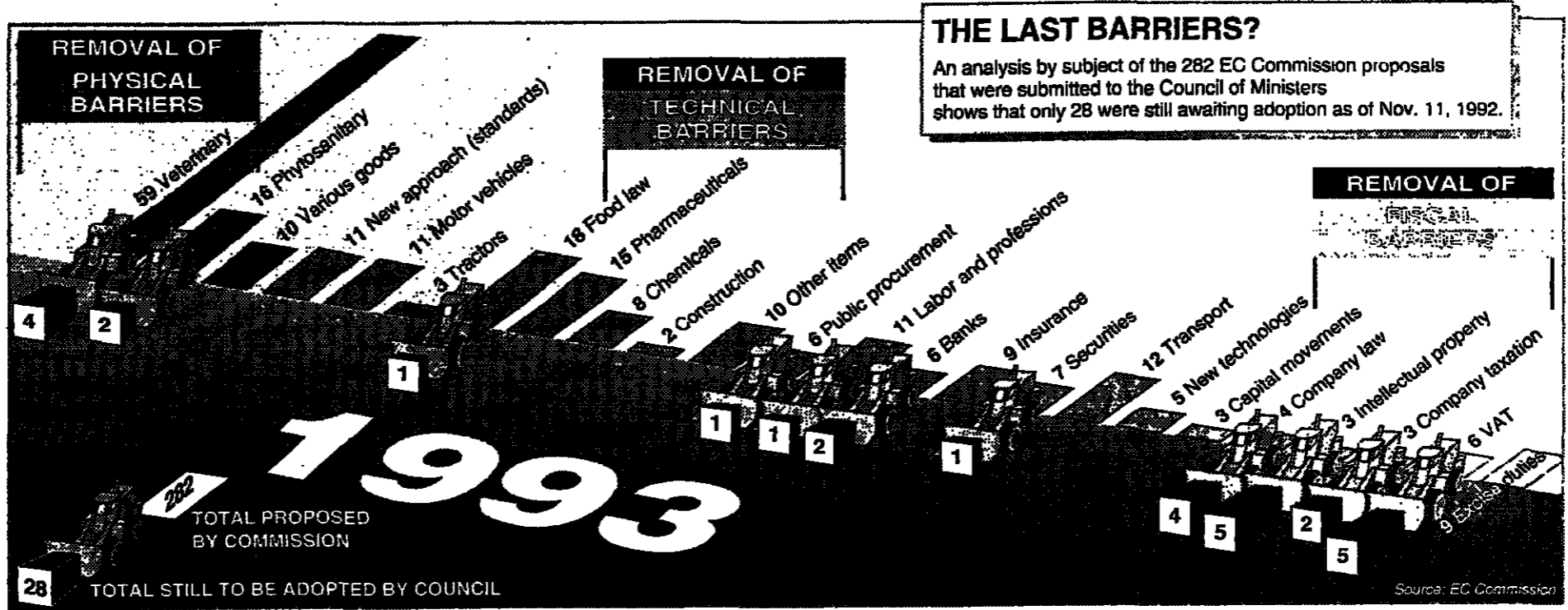
The table shows that progress still has to be made on matters that are largely technical: VAT, company law and company taxation, intellectual property (the protection of copyright) and public procurement. But there are also matters directly impinging on everyday life.

Border controls will not have disappeared on Jan. 1. Land crossings are easier, but most airports do not yet have the facilities to separate people arriving from another EC country and people arriving from the outside world. Some countries (especially Britain) are adamant in maintaining border controls for illegal drugs, terrorists, immigrants and diseased animals.

Then there is the banana question. Like many things concerning the EC, this has some comic aspects but is in fact deeply serious. Some member states either produce bananas or have special arrangements to import them, mostly from former colonies. Without help, these are not competitive with the so-called "dollar bananas," coming mostly from South America, which are imported in quantity by Germany. The spirit of a free market would seem to forbid any sort of restrictions on the "dollar bananas," but there are big issues involved. The dispute is not new, and an indication of how seriously the matter is taken by Germany is the fact that in 1957 Konrad Adenauer delayed signing the Treaty of Rome until he could be assured of access to the necessary bananas.

Standardization, the protection of children from dangerous toys, the labeling of food, safety for workers, rules for cross-border television — all these are questions of direct concern to that person in the street.

Does the creation of a single market — the tearing down of internal borders — imply the strengthening of external borders? Is there, in other words, a real danger of a...



**THE LAST BARRIERS?**  
An analysis by subject of the 282 EC Commission proposals that were submitted to the Council of Ministers shows that only 28 were still awaiting adoption as of Nov. 11, 1992.

**Views From the Boardroom**

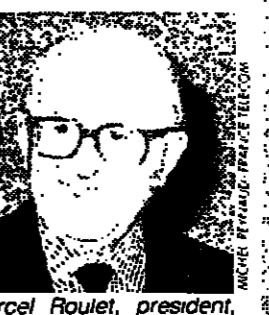
"For the European telecommunications industry, 1992 will have had a more profound impact than originally imagined. We had always looked on 1992 as the final stage in the preparation of the single European market of 1993. Telecommunications operators were to

cooperate closely, making the latest technologies available to European companies and thereby permitting them to enhance their competitiveness. Such was the rationale behind the Global European Network for the promotion of services and the recent accord on the

setting up of a broadband pilot network across Europe. But in the event, 1992 was marked by two highly significant trends, which I hope are indicative of a balance between harmonization and competition. On the one hand, the debate over the Maastricht treaty highlighted the important role that trans-European networks play in

the building of Europe. On the other hand, the unexpected decision by the commission to re-examine the question of competition has sparked off a fundamental analysis of the industry's features. These issues will continue to be addressed in 1993. We at France Telecom will take part in the debate, stressing what we feel is vital: that the trend

toward greater competition should not ride roughshod over the needs and interests of all the parties concerned and that it should not have a braking effect on the momentum toward harmonized and increasingly efficient networks. France Telecom will be able to reconcile its own development with the broader general interest."



Marcel Foulet, president, France Telecom.

**Regions / As Borders Blur**

## Targeting Specific Areas For Growth and Development

While the most recognized goals of the Maastricht treaty are monetary and economic union and the completion of the single market, some ramifications of a third objective: "the strengthening of social and economic cohesion," are often overlooked.

A key part of this last goal is the European Community regional policy — a response to and a recognition of the blurring of borders within the single market.

Just as the EC's broad goal is to raise the standard of living across its 12 member countries, the regional policy zeroes in on specific deprived areas. The aim, in other words, is no more poor countries, and no more poor regions within those countries.

Much of the EC regional program is aimed at helping poorer countries since they, naturally, have more poor areas. As a result, Greece, Portugal, Ireland and Spain stand to be the biggest beneficiaries.

The regional policy also promises to boost recognized cultural and industrial areas that overlap the borders of richer countries, such as the Alsace region of France and neighboring Germany, or the areas of France and England linked by the Channel Tunnel.

Three recent examples of EC regional policy include programs to combat industrial decline in northern and central Italy by helping people set up their own small businesses, redeveloping derelict industrial sites in France's Nord-Pas de Calais region and fighting unemployment in British inner cities.

The problem, as always, is money. Or, rather, the lack of it. The EC is currently spending about \$70 billion for regional programs



Regional programs include helping small businesses get started.

In the five-year period ending in 1993, current proposals call for a 60 percent boost over the next five years, so that annual spending nearly doubles from about \$17 billion this year to more than \$33 billion by 1997.

On top of that, EC Commission President Jacques Delors is urging support for a program to spend \$90 million for infrastructure improvements — spread across the EC, but presumably concentrated in the poorer areas — to help Europe grow out of the current recession.

The recession, however, means that the richer member countries, the ones contributing more to the EC than they get back, are not especially eager to spend more and get even less back. Why, after all, should Germany be spending more to install phones on

Greek farms when Germany has so many economic problems of its own?

Bruce Millan, the EC's commissioner for regional policy, acknowledges the political obstacles. The two questions, he says, are how much member states are prepared to spend overall through the Community budget, and what share of this should be allocated to economic and social cohesion.

"The answer to that latter question will indicate what type of European Community they want — whether they do genuinely believe in economic and social cohesion," Mr. Millan says.

Many believe that regional programs will take a lower priority at least until the EC is feeling wealthier and more politically self-confident. Mr. Millan notes, however, the risk of being left behind for poorer regions: "The accelerating pace of change in our economies tends rather to increase concern that some regions and indeed groups in society could be 'dropping out' — becoming progressively more and more marginalized."

He argues that without such programs, some regions have little hope of attracting the kind of private investment that will raise their production and living standards over the long run.

These include the supply and quality of labor, infrastructure, proximity to markets and suppliers, tax and investment incentives and quality of life factors such as the environment, education and leisure.

Timothy Harper



The recession is making some richer EC countries less enthusiastic about chipping in to bolster poorer regions of the Community.

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# 1992 The World's Rendezvous With Europe

## Views From the Boardroom

"Although a single European market for industrial insurance has been operating since 1990, it will take another year and a half to realize an 'EC '92' for the whole of the insurance industry. My company is well prepared for the chances and risks involved. Over the past 20 years, Allianz has grown into the most international group among the top insurance companies of the world, with about half its premium income now being written outside Germany. We are operating in all EC countries and in several prospective members."

All insurance business is local, and it will not be easy for foreign competitors to penetrate the German insurance market unless they are equipped with the appropriate marketing and loss-adjustment facilities. All the same, the German insurers anticipate a surge in competition, while customers are in for a heterogeneous range of products they may find hard to cope with. In order to achieve still more market orientation, the property and casualty insurance companies of the Allianz group in Germany



Henning Schulte-Noelle, chairman of the board of management, Allianz.

have dropped their traditional structure by lines of insurance in favor of an organization focused on customers' specific needs.

## Views From the Boardroom

"The EC 1992 concept spun a 'ring of confidence' around politicians"



Jorma Ollila, president and chief executive officer, Nokia.

and the business community. Decisive progress has been made and the magic date is upon us, but it is more a day of reckoning.

Nationalism is rearing its ugly head again. The movement toward political and monetary union is stalled. Many monopolies remain, apparently unremoved. Add to this the poor state of the economy in Europe and in the world generally, and we have an ambiguous situation. We might ask if ambitions were too high. My answer is: Without ambitions we shall never build a new Europe. And our response must not be "Fortress Europe." We need partners overseas, too. As the GATT talks now reach the critical end-phase, there is a real need for realism on the part of all major players. Our poli-

ticians must bring the Uruguay Round to an equitable conclusion and save us from a devastating trade war. There is much to gain and much to lose. Finland has taken a major step and applied for full membership in the EC with no reservations about Maastricht. This has been favorably received, and it is hoped that a decision will be made as soon as possible as to when official talks can begin. As a European technology company, Nokia has that "ring of confidence" and welcomes this development. Europe's problems are complex, but on the basis of its potential, with hard work and goodwill, the new Grand Design of Europe can still be realized."

## Views From the Boardroom

"For a big-ticket customer bank like WestLB, the single European market poses a major challenge. For one thing, our clients expect us to provide them with an ever-wider and more sophisticated range of services throughout Europe. Secondly, the already stiff competition in the German banking sector will get tougher still. Once banks within the EC are entitled to open branches and offer services in any member country and at the same time are subject to the laws prevailing in their home country, more and more foreign banks and securities houses will crowd into our market. In order to gear ourselves up for EC '92, WestLB developed a strategy for Europe, which for

the most part has been implemented. The central elements of this strategy include enlargement of our product range, strengthening of our European presence, modernization of our internal company structure and intensified recruitment of staff from other European countries. At the same time, we have concluded a cooperation agreement with the Standard Chartered Bank of Britain. There is no doubt that WestLB employees will be working much more closely with their colleagues in other countries in the future. Spending a period abroad in one of our foreign branches will increasingly become a pre-condition for climbing the professional ladder at WestLB. Knowledge of



Friedel Neuber, chairman of the managing board, WestLB.

other languages, legal and economic systems, and above all acceptance and tolerance of other cultures, will become increasingly important within our group. For me personally, it is my fervent hope that the completion of the single market will promote the development of the EC as a potent force for peace and democracy in Europe as a whole."

## Interview / Jacques Delors

### One Man's Vision a Reality

Continued from Page 7  
nophobia and racism — it would seem that 1992, the final year, has been the worst in terms of the EC's performance.

What we accomplished in the EC 1992 program should not be looked at as a miracle remedy. I would only say, and many observers agree, that the plan helped bring about a renaissance of the European economy, even though much remains to be done. I am absolutely convinced that if we had a better economic climate, half of the difficulties linked to the ratification of the treaty would disappear.

What is your biggest regret, or failure, as you look back at your efforts on behalf of European integration?

During the past eight years, as in previous years, we have always faced the problem of bringing ourselves closer to the public, to average people, and explaining what building Europe is all about. We have made progress faced with indifference of the public and sometimes of national parliaments. By the same token, it is not up to the EC Commission to substitute itself for national governments to explain why we are struggling. But that is one of my regrets.

Is it too late to find a solution to the communications problem?

No. But the main job rests with national governments, and I don't say this in order to duck my responsibility.

You talk about greater transparency, referring to the commission. But the real center of power is the Council of Ministers, which operates in great secrecy. Do you like this system?

When I arrived, I said I wanted a commission with greater autonomy that would also be more responsible and accountable. Contrary to my colleagues who were looking to the European Parliament, I was prepared to have us removed by the European Council [EC heads of state and government]. But in return, I wanted greater autonomy. Did you know that there are 166 groups of national civil servants representing national governments working for the Council of Ministers? When we make a proposal destined for the council, it goes through these national civil servants, and that is where things often get stuck.

Starting around 1986, for example, I felt we needed a

statute allowing the establishment of pan-European corporations to facilitate joint ventures and cooperation between companies, which, even for the Americans, would prove difficult considering the different legal and tax systems. We drafted a plan containing 40 articles. It has not yet been adopted. It is still circulating in the Council of Ministers, and it now contains 200 articles.

Turning to the topic of monetary union, do you believe that the commission and the council should have managed the campaign for a single currency differently?

No. I believe support for

means that certain countries will benefit from an extended period of transition. But there are precedents. When I proposed the total liberalization of capital movement, we agreed to grant periods of transition varying between two and four years to four EC members.

Do the recent devaluations of the British pound and the Italian lira imply a failure of the European Monetary System?

We need to look at essentials. If there are currencies that fall, it is because the fundamentals of their economies were not judged to be satisfactory by the markets. The EMS cannot be considered a factor here. It can, however, force a certain cooperation or convergence among member-country economies. In that sense, it has been very successful.

Many economists believe we are facing at least one more year of economic stagnation, or recession. What is your remedy?

We need, above all, to think in terms of greater cooperation among ourselves, and to support public and private investment. And that is why we are so committed to a vast program of improving the networks and infrastructure of Europe. This is the only way to have our internal market bear more fruit. Internationally, it is absolutely essential for the Group of Seven [the United States, Germany, Japan, France, Britain, Italy and Canada] to once again become an organization that has credibility and can react. This has not been the case for the past three years, with most members playing "lonesome cowboy."

Do you believe that the Community can speak with the incoming Clinton administration with a single voice regarding future trans-Atlantic cooperation over infrastructure investments?

Yes. I favor a U.S.-EC partnership. However, our room to maneuver in budgetary terms is very small. We lack savings, so we cannot tax much. What we can do is use what little margin we have to sustain investments, which means expanding the public sector — combating poverty in our cities, for example.

What will it take to reduce the number of unemployed — 12 million — in the Community?

A GNP growth rate of over 3 percent. At that point, unemployment would decrease slowly.



A universal plug? Not for the EC, which cannot agree on one.

"Fortress Europe"? Emphatically not, says the official. It has been shown that the single market rules make it necessary that some protectionist measures be abolished. He quotes the case of Japanese cars, allowed into some EC countries but not into others. "If there were to be a 'fortress,' we would have to extend the protection," he says. "In fact, this is not happening. There is no crash program to abolish restrictions, but slow progress is being made toward letting in more Japanese cars."

## The Business Perspective

American business in Europe, as reflected by the EC Committee of the American Chamber of Commerce, has been greatly pleased by the commitment to a free and open market shown over the years by Community leaders.

Julian Oliver, who as vice president of American Express Europe, says that in many respects U.S. companies have always looked at Europe as a single market. "But we have been frustrated by hindrances such as national barriers and different standards — hindrances that have meant we were unable to take advantage of a rationalization of scale."

That is now past. The single market that is almost wholly created is "bigger and more extensive than anywhere else in the world." It is no longer necessary to think of the market as 12 fragmented sections. "It is not perfect, but we can operate quite well," he says.

He is dismissive of the dangers of a "Fortress Europe," in spite of the current tensions. "There is a tradition of protectionism in three or four of the national markets," Mr. Oliver says, "and one hears echoes at the Community level. But there is no doubt about the commitment of the majority."

Because of his connection with American Express, Mr. Oliver is particularly concerned with the financial sectors — banking, securities, insurance and pension funds. On banking, all the relevant legislation has been passed and most implemented. Banks are now able to set up branches in other EC countries in which they have subsidiaries without the hugely complicated paperwork and capital investment that was demanded before. The benefits — for ordinary customers looking for somewhere to cash their checks and for businesses transporting capital around Europe — are large, and will grow over the years.

Securities have proved more difficult — big cultural differences have become apparent about what rules are necessary concerning investing money, with Britain and the Netherlands finding themselves isolated on some matters. But political agreement was reached last summer, and the relevant documents were expected to be prepared before the end of the year. It will take another 12 to 18 months for the new rules to come into effect. As with banking, the concept is for a "single license" for all 12 states.

Insurance has in many ways proved the most difficult. Governments are deeply involved in ensuring that the consumer is protected during what are inevitably long contracts, and this makes openness to competition more difficult. "Life insurance is 10 times more expensive in Portugal than in Britain," notes Mr. Oliver. It is a complex area, with cultural differences playing a strong role, but the last building block of an agreement was put in place during negotiations in November. Again, there will be a delay, probably of about two years, before the agreement is implemented.

The free movement of pension funds has similarly proved difficult to ensure. Government rules and cultural differences are inevitable, once again because of the need to protect the consumer — a need sometimes imperfectly met. In some states, pension fund managers are, for instance, forbidden to invest money outside national borders. This can be a serious hindrance to the free flow of

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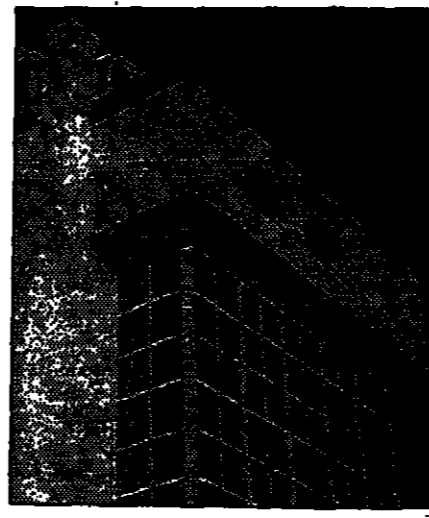
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# 1992 The World's Rendezvous With Europe

The Single Market

capital. Again, agreement in principle has just been reached, but there is a distance to go before it is made practical.

There will be an interesting side effect of the eventual creation of a single financial market — and of a single currency, it is hoped. The rules of the International Monetary Fund and the World Bank say that these two institutions must be at the biggest center of foreign reserves; they may have to move from the United States to Europe in the near future.

Another area in which American capital has been greatly involved — and in which it hopes for greater involvement — is telecommunications.

Eric M. Vaes is chairman of the telecommunications committee of the American Chamber of Commerce EC Committee as well as being a leading businessman in the area. He explains that the European market for telecommunications services and equipment amounts to 100 billion Ecu (\$123 billion) a year, with services growing at about 10 percent a year and equipment growing at 6.7 percent a year.

The aim is to liberalize the market for telecommunications equipment and services, open up public procurement policies and harmonize standards. Major initiatives have been made by the commission, but have met considerable opposition from some national operators, which are still government-owned throughout the EC, except in Britain.

The EC decisions are based on the telecommunications Green Paper published in 1987, and the progress since then in bringing forward legislation has been an "outstanding achievement," according to Mr. Vaes. But actual pro-

## Views From the Boardroom

"Europe '92 was a fantastic idea of Jacques Delors's to promote a common market from Copenhagen to Athens in a spirit of freedom and free enterprise.

Airlines are contributing to this idea. They comfortably transport people and goods all over the world. They help people to understand each other better. But '92 was not a magic date for the airline industry, which has been operating in a free market for years.

However, European airlines are concerned about two major issues that could endanger their future in regard to American or Asian competitors.

First are the competitive rules between airlines, within Europe and across the Atlantic. Some U.S. airlines, which are still alive thanks to the protection of Chapter 11, have initiated suicidal price



Pierre Godfroid, president, Sabena.

wars. The battle is unfair, and the whole industry is registering bad financial results. Today, Europe needs a global strategy to strengthen the market position of its airline industry rather than an ideological approach exclusively based on free enterprise. In the long run, this last approach would be detrimental to the customers as well as to the industry.

A second problem still handicaps European airlines: the absence of unified systems for air traffic control. In the continental United States, 20 ATC centers control a single airspace with a single system. There is, in the United States, a "single sky." In Europe, 54 ATC centers work with 31 different system families to control 22 air systems in over 70 programming languages. There is no "single sky." The key is political. European airlines are urging their ministers of transport to improve this situation quickly. We estimate that this bad organization costs us 1 percent of our sales.

Europe without borders will be a reality starting in January '93. But there is still a lot to do to get a strong European airline industry operating in one single sky for the satisfaction of its clients."

## Views From the Boardroom

"Alcatel Alsthom embraced the European ideal many years ago. Over the past decade, it has progressively built up a wide European presence, aimed at providing the corporation with the capability to compete with its major North American or Far Eastern challengers in the global marketplace.

Today, Europe is Alcatel Alsthom's home country. We have sales of 17 billion Ecu (\$14 billion) in Europe, where we employ over 150,000 people. These employees are mostly nationals of different EC countries, where our subsidiaries are often leaders. Most of our accounts are in Ecu, the currency we also use for intercompany transactions. Our laboratories and factories have learned to work together, be they English, German, Belgian, Spanish, Italian or French. From this European base,



Pierre Suard, chairman and chief executive officer, Alcatel Alsthom.

Alcatel Alsthom has expanded to the other continents.

We have, therefore, a broad, field-tested, experience in striving for the creation of a competitive industrial Europe. I have to say, however, that our quest has often been hampered by the lack of industrial vision of European policymakers.

Europe is now far from being a single market. This deprives EC companies of the key competitive advantage of scale that their foreign contenders enjoy in their own domestic markets of North America and Japan. In such a context, opening up the Community market to world competition on Jan. 1, 1993 is a challenge in itself. But doing it, moreover, without having negotiated beforehand the reciprocal access of European suppliers to the currently closed home markets of those competitors totally disregards industrial realities and would be suicidal.

The referendums on the Maastricht treaty in Denmark and France have sent a clear message to all Eurocrats: Please, listen a bit more to your citizens. Listen to your industries was also part of the message."



The banana controversy almost caused a slip-up in the Treaty of Rome — and continues today.

gress has been "slow and painful" in the areas of satellite and mobile communications and voice telephony.

Voice telephony provides the bread and butter of national telecommunications operators. The commission has recently published its latest communication on liberalizing voice monopolies, which has provoked considerable discussion.

The industry believes that full liberalization of voice telephony must happen, but that it will come about in stages, not overnight. A timetable of five to eight years is visualized; commission sources say nothing final will happen before the year 2000. Users are worried about how well and how fast member states will transpose EC telecommunications legislation into their national legislation.

Progress has been made. In Belgium, for instance, the Belgian PTT employed 26,000 people, but it was not uncommon for a customer to wait three months for a new phone to be installed. Now a new name, Belgacom, has come with a new efficiency and the determination that a radical transformation will take place in the future. The plan is for 30 percent of its revenues to be exposed to cross-border telecommunications competition.

As Europe gradually opens up the market for telecommunications equipment and services to full competition, the opportunities for European and foreign investment will be large. Users hope that the result will be better service and more competitive prices. Mr. Vaes says that American-based companies operating in Europe still find that on a directly comparative basis the cost of telecommunications

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# 1992 The World's Rendezvous

## Views From the Boardroom

"We expect the removal of trade barriers to generate a vast, freer and more homogeneous European market that will offer further business opportunities, although we do not anticipate any drastic changes post-1992. Europe is strategically important, part of our tripartite business structure that also embraces North America and Asia. We set up the Toshiba Corporation Europe office in 1989 to coordinate our European operations.

In 1991, our consolidated sales in Europe totaled 365 billion yen (\$3 billion), 25 percent of overseas sales. We now operate a European network of 37 subsidiary and affiliate companies, 21 of them with a local president, and employ almost 5,000 people. Our eight European production facilities manufacture semiconductors, personal computers, copiers, VCRs, color televisions, microwave ovens and air conditioners. Local content is increasing, and approaches 80 per-



Fumio Sato, president, Toshiba Corp.

cent in some products. We also pursue R&D, and established a research center in Britain in 1991. We have good relationships with major European companies such as Siemens, Thomson and Alcatel Alsthom.

In the post-1992 market, we will continue our long-term strategies of strengthening our business infrastructure and promoting localization. We will make every effort to achieve an efficient organization that meets the demands of a unified European market."

## Views From the Boardroom



Percy Barnevik, president and chief executive officer, ABB Asea Brown Boveri.

"For a company like ABB, important EC-driven changes are occurring in the areas of public procurement and the ability of companies and countries to establish and equally utilize energy supply and distribution systems between nations and regions. However, for us, "1992" is an ongoing process rather than a limited program. Some of the originally envisioned developments have been

overtaken by the enormous challenges that confront the "New Europe," which now must include all nations from the Atlantic to the Urals. If the 400 million people living in Eastern and Central Europe are ignored, all of the progress made under the EC banner will be overwhelmed by the economic and social problems in the nations formerly under Communist rule. The EC and present EFTA nations — all of the

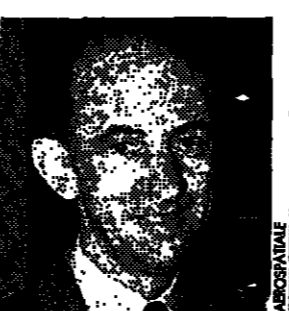
West in fact — cannot afford to build a welfare wall between us and these struggling peoples. We must help these nations make significant progress toward integration into a new Europe comprising 800 million citizens. The business and social challenges are enormous, but the spirit behind the original EC initiative must be expanded to include everyone living in the European house."

## Views From the Boardroom

"For Aerospatiale, Europe has been a reality of life for many years: 1992 is but one more step along a path it has deliberately and steadily followed with its friends and associates. Moreover, such ventures as Airbus Industrie or ArianeSpace, in the development of which my company has exercised a major role, have been

decisive milestones in the building of Europe. The completion of the internal market is certainly a good point where manufactured goods are concerned. However, to be efficient in the long run, employment and economic strength, this development has to be integrated within a large scope, including consistent industrial and commercial policy to provide European companies with the means to compete fairly in the global market.

If the European Community intends to keep its aeronautical and space industry alive and efficient it has to apply itself to giving broad support and creating a positive environment, especially in research and development."



Louis Galois, chairman and chief executive officer, Aerospatiale.



What is jam? It took the EC 12 years and several hundred thousand words to define it.

is generally higher in Europe than it is in North America. To conclude, Mr. Vaas stresses that the further liberalization and harmonization of the EC telecommunications market is an irreversible process. Telecommunications enhances the competitiveness of companies in Europe and stimulates the growth of the economies of member states and of the European Community. In more general terms, a submission to the commission by the EC Committee of the American Chamber of Commerce says: "We believe that the single market is an ongoing process, and continued action will be needed at EC level.... To be effective, implementation and enforcement of EC legislation must be closely monitored by the EC Commission." In another submission, the committee says: "The application of the principle of subsidiarity is likely to increase the extent to which the implementation and enforcement of EC legislation will be delegated to member states. Unless there is an increase in the monitoring at EC level of the implementation and enforcement, and greater effort paid to ensuring that there are practical (i.e., speedy and enforceable) judicial remedies at member state level, the success of the 1985 White Paper program could be eroded."

## Consuming Concerns

There is not a single electric plug that can be used throughout the single market, and agreement cannot be reached to put this right. This is one of the concerns listed by the European Consumers' Organization (known as BEUC, its French acronym) in a submission to the EC. It is a small failure, but consumers are also worried about bigger things. "The removal of barriers to the free movement of goods, services, people and capital across frontiers will not in itself create a single market for consumers," says the submission. Producers will "retain many possibilities of placing practical obstacles in the way of cross-border purchases by consumers" (as with cars). The delivery of medical services will be influenced by national reimbursement systems. There will not be a single market in air-transport services, because of the absence of a comprehensive competition policy in this sector. There will not be a single regime for product liability throughout the Community. Incompatible standards for television and video will continue. The single market may have a negative impact, say the consumers, because of the need for harmonization or mutual recognition. "The process of reaching political agreement on harmonization has led to the adoption of standards that are very much lower than those in the best member state," the submission says. For example, some consumers will have to accept food additives previously banned by their state. "In some countries, consumers will experience cross-border advertising on television and in distance selling that does not meet

**90 years ago our ideas were seen as out of this world — they still are.**

Zeppelin over Lake Constance, Baden-Württemberg. Earth Reconnaissance Satellite ERS-1.

Over 90 years later it remains the largest aircraft the world has ever seen. In its time, the technology that created it was seen as nothing short of revolutionary. Perhaps in many ways it was as much a product of the fresh thinking and innovation that still thrives in the region of Baden-Württemberg. Today, technology has gone further, and reached levels far beyond the imagination of the age when giant airships first flew, yet the attitude they forged remains the same. The skies still hold the challenge, but now the challenges are for faster, more efficient communications, and improved management of the earth's resources. Those challenges are still being met, in the area where much of today's advanced technology began — Baden-Württemberg.

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We've also teamed up with Siemens AG of Germany to produce customised integrated-circuits. And jointly with Cambridge University in the U.K., we're pursuing basic research in semiconductor physics at the Toshiba Cambridge Research Centre.

Thanks to these and other partners, Toshiba's organisation in Europe has grown to 37 companies managed and staffed by 5,000 local employees.

Together, we're also breaking new ground in other fields like information systems, medical equipment, telecommunications and energy.

With so many hands to count on, work will be lighter. Progress will be smoother.

And the harvest we share, always more fruitful.

Lacquered writing box (suzuribako) depicting women gathering tea leaves, 19th century. Toshiba Gallery of Japanese Art, Victoria and Albert Museum, London.

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# 1992 The World's Rendezvous With Europe

The Single Market

... national standards." The consumer organization urges "a positive effort to harmonize at a high level of consumer protection." It alleges that there is sometimes a "blatant failure" by member states to implement and enforce single market measures. "It is consumers who suffer most from what is often a cynical disregard of the obligations of Community membership," says the document.

"There is also the danger," it adds, "that the principle of subsidiarity may be used as an instrument for ensuring that there is no adequate regulation, whether at Community or national level."

The organization urges action to protect consumers. "A self-regulatory scheme in one country must extend its scope to all consumers throughout the Community." A data base should be established containing details of consumer rights and redress mechanisms, and the system for the rapid exchange of information on unsafe products should be upgraded.

## Building on the Base

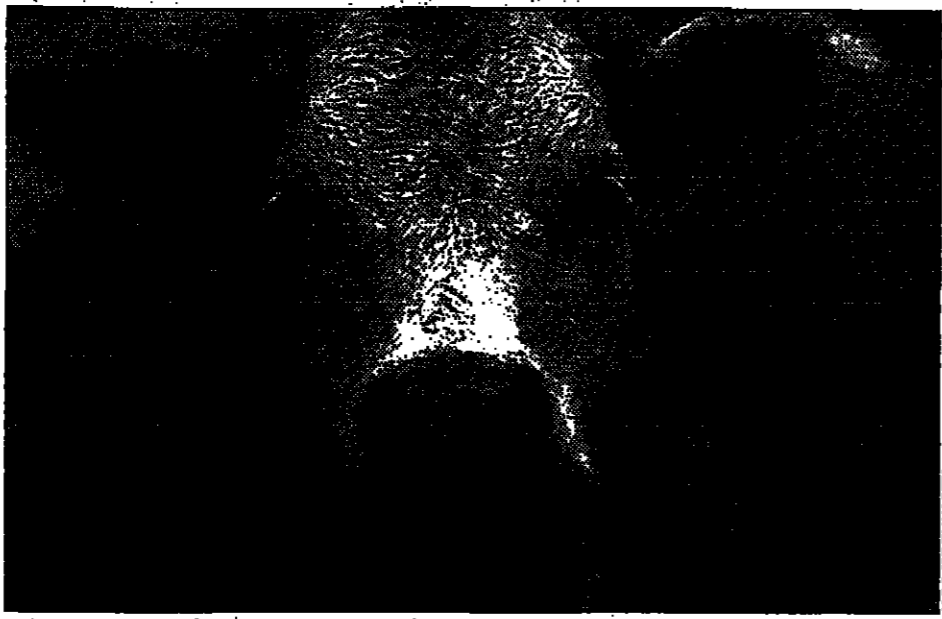
"The challenge now," says an influential report published by the EC Commission in October 1992, "is to reassure the consumer and to capture the imagination of business, particularly of smaller firms, that the rule of a really frontier-free market will be applied across the Community. When this is achieved, the internal market will truly be seen as the basic stepping stone in the construction of Europe."

The report, which figured in discussions at the Edinburgh summit, was prepared by a committee headed by Peter Sutherland, a former commissioner from Ireland, that was set up in March 1992 to consider what needs to be done next so that "the full benefits of the internal market are secured in practice after 1992."

The committee considered evidence submitted by the consumers' organization BEUC. "The Community's internal market will benefit consumers by giving them a wider choice of goods and services," it says. "It will also benefit businesses, small and large, by providing them with market opportunities."

"The current position is that the Community has already taken nearly all the decisions required by the 1985 White Paper and they are gradually coming into force. This progress is clearly a remarkable achievement. Our report is about how to make the internal market operate effectively now that its foundations have been laid."

The report acknowledges that doubts exist about the way the internal market will work in practice. "Much more needs to be done to explain the need for and operation of the new laws," it says. It calls for a communications strategy, "supported by action to make Community law clear."



The legal connection of cows with ice cream: a matter of considerable debate.

## Eastern Europe / Take a Number, Please

# Meanwhile, Further Down the Waiting List

While some of the more Westernized East European countries have successfully negotiated association agreements that strengthen their ties with the European Community, other ex-East bloc countries have a longer way to go before they can hope to achieve this status.

Bulgaria, to give one example, hopes to benefit from an EC connection as it transforms its economy.

The EC association agreements cover cultural, financial and customs regulations and create a free-trade zone within the EC within a 10-year period, leading to liberalization in trade of industrial products. Supporters say the agreements are crucial to further the reform process, safeguard democracy and stem mounting social problems in former Communist countries.

The East Europeans themselves hope that asso-

ciate membership will boost competitiveness, help attract foreign investment, stabilize economies and provide greater access to West European markets. All envision EC membership by the turn of the century.

Bulgaria, firmly locked into the Soviet sphere of influence for four decades, began negotiations with the EC in 1992.

Says Ise Grosser, Bulgarian expert at the Vienna-based International Institute for Comparative Economic Studies: "For the EC, integrating Bulgaria is important for long-term security and economic reasons. Bulgaria, of all East European nations, was most dependent on Comecon for its trade. Intensive links to the EC are crucial to help the country reorient trade and open up new markets."

For the time being, however, the country faces eco-

## Applicants / Moving Toward Membership

# Candidates Progress, Except for Swiss

One challenge facing the European Community is how to expand from its current 12 members to perhaps 30 or more in the next century. The first enlargement phase is likely to begin in 1995 or 1996.

Following last spring's Danish "No" to the Maastricht treaty, the European Community laid down its admission requirements: a competitive free-market economy, a democratic system respecting human rights and acceptance of the treaty. Furthermore, candidates are expected to identify with the goals of achieving a political, trade

and currency union, and accept a common foreign and security policy.

In a first phase, four of the members of the European Free Trade Association that have already applied for membership — Austria, Finland, Norway and Sweden — could be admitted in the next three to four years.

Although their applications were submitted at different times (Austria in 1990, Sweden in 1991, Finland and Norway this year), the EC is likely to accept them en bloc. With thriving economies and compatible political and economic sys-

tems, the four states fulfill EC requirements, though their neutrality remains a potential obstacle. Some longstanding disagreements, like fishing in the case of Norway, remain to be thrashed out.

Switzerland, which had also applied for membership in 1992, recently rejected joining the proposed European Economic Area in a country-wide referendum. The EEA, scheduled to come into effect early next year, would create a single market between the EC and EFTA countries. The vote was seen as a clear message of preference for continuing economic isolation from the EC.

Says Anton Pelinka, political analyst and professor at the University of Innsbruck: "The Swiss vote is a warning. The EC must change many of its structures to create an effective common market and integrate other countries. At the same time, it is going to be harder for potential new members to convince their own populations to enter the EC."

Formal negotiations with the other EFTA applicants are scheduled to begin in 1993, but an exact date has yet to be set. EC officials have often linked membership talks with agreement on EC finances as well as ratification of the Maastricht treaty, which could take as long as the fall of 1993. Germany recently became the 10th EC country to ratify the treaty.

This autumn Britain made its approval contingent on the outcome of a second Danish referendum to be held in May 1993 or later. Denmark is asking for a series of "opt outs," or exemptions, which mem-

bers fear could set a precedent for future candidates.

Admission procedures could be accelerated for a start to negotiations in early 1993. The EC is considering measures to integrate those nations waiting in the wings that will require years to meet EC expectations: Cyprus, Malta, Turkey and the former Comecon countries.

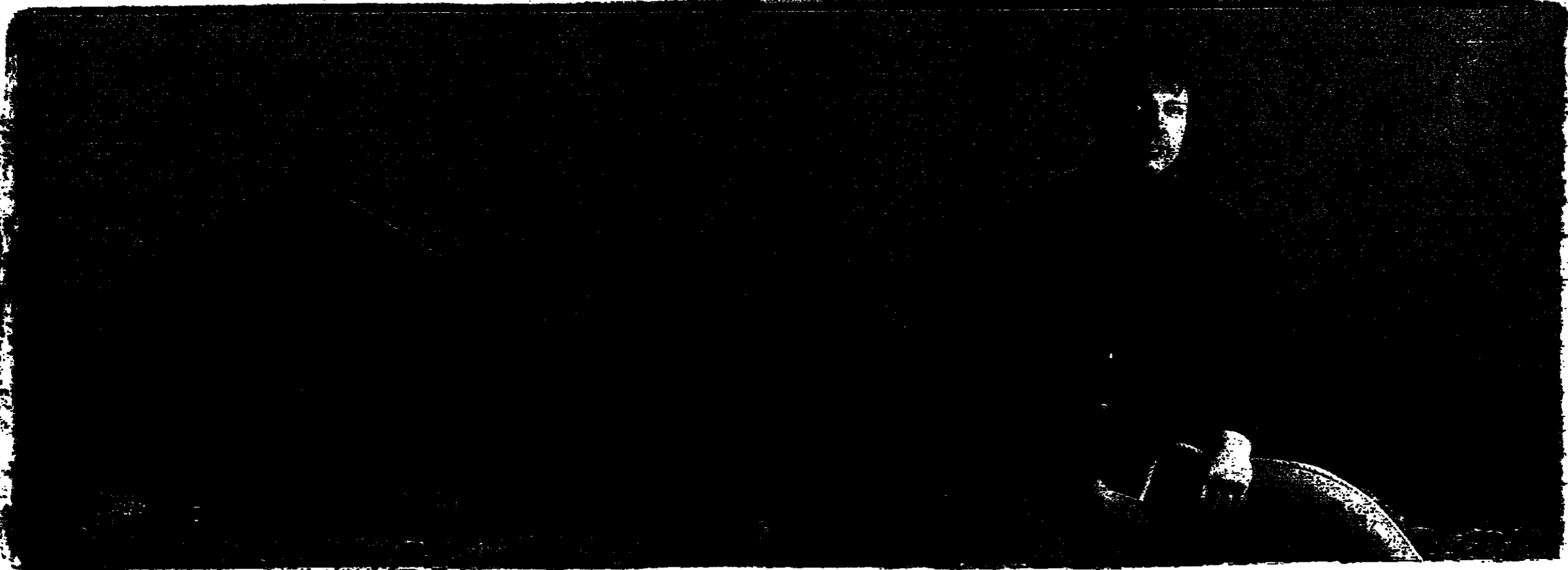
Enlargement is seen as a vehicle to gain lost momentum and push forward the dynamic process of European unity. In recent months, support for expanding the role of the EC has declined. The French and Danish referendums on Maastricht rallied opposition against what opponents termed the "faceless bureaucrats" in Brussels.

To accommodate a potential expansion from 12 to 30 or more member states, far-reaching institutional reforms may be necessary. This could entail holding a new summit meeting before "Maastricht 2" in 1996, and lead to broader authority for the EC Commission, acting as a European government in a United States of Europe.

The EC has concluded or is negotiating association agreements with several East European nations. Czechoslovakia and Hungary have moved furthest in their reform efforts and could be the first to be admitted. EC officials fear increased agricultural competition, a flood of cheap industrial products and billions in additional expenditures from the EC budget for the poorer East Europeans. Some EC leaders, however, want to integrate the region for political and security reasons before the 10-year transition period is over.

Clifford Stevens

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# 1992



more consistent and more effectively transposed at national level.

For the consumer, this calls for greater cooperation between the market control authorities of the member states, "including a clear agreement on how to handle urgent problems rapidly across the Community." Progress is also needed "on long outstanding issues about practical recourse to Community law."

For business, it is important that barriers are not recreated. "There is a risk of fragmentation of the market, arising either from divergent interpretation and enforcement of Community law or from the introduction of national rules which needlessly segment the market," the report says. "Subsidiarity does not and cannot be interpreted as permitting such developments."

For member states, this means "a greater awareness of the need to work with the grain of the internal market, in particular by building in the principle of mutual recognition before making fresh national rules." For the commission, it means "accepting, whenever possible, some degree of diversity, particularly where national measures have negligible economic impact on the Community."

The report lists a number of recommendations for bringing these general principles into action. It is particularly interesting on the vexing question of the possible conflict between the acceptance of diversity and the effective operation of the internal market. "The Community has already made considerable progress towards resolving the problem by basing much of the internal market program [the White Paper of 1985] on the principle of mutual

recognition," it says. "There are, however, limits to mutual recognition where there are overriding needs, such as the protection of health, safety, the environment or consumers, and when national legislation is not equivalent."

In these cases, the Community "should avoid unnecessary legislation," the report says. A careful analysis is necessary, and "when such an analysis concludes that the effect of national measures is not material to the operation of the internal market, we consider that the Community should not insist on legislation: We express a preference for preserving diversity in such circumstances."

### Standard Procedures

It is not easy to establish standards. The EC directive on jam took 12 years to negotiate and contains more words than the Old Testament.

Must jam contain a percentage of fruit? The Portuguese like to make jam out of carrots. Must marmalade contain mostly citrus fruits, as the breakfasting Britons insist? Not according to the Germans, to whom the related word simply means jam, as it does in many European languages. And so on, with national hackles rising on all sides.

Here is another problem. It is important that safety nets used on building sites should not continue to be used for too many years, as they become unsafe. The French insist that a colored thread be introduced into each net and that the color be changed each year. That makes it easy to say, "Blue nets shall no longer be used." The Germans insist that a metal plate with a date on it be woven into the net. Both systems work, but to have both in a single market is

wasteful; suppose you want to take your nets across a border. Learned committees are now trying to resolve the matter.

A man deeply concerned with these and similar problems is Jacques Repussard, secretary-general of the European Committee for Standardization (known as CEN, the initials of the French Comité Européen de Normalisation). This committee was born in the 1960s as a private organization to help European industry — there was already the worldwide International Organization for Standardization, based in Geneva.

CEN had its work accelerated in 1985 when it was recruited by the EC for all standards except those involving electrotechnology and telecommunications. In 1985, too, the EC decided on a "new approach" to standardization, involving a simplified procedure and swifter decisions, an attempt to avoid the jam quagmires.

The first standard produced under the new rules concerned the safety of toys — they must not have spikes and sharp edges, poisonous paints or other materials, parts that are small enough to be swallowed, and so on. Since 1985, CEN has seen dramatic growth. At that time, there were only a few hundred items on its "order book"; now there are nearly 7,000. In 1990, it produced 100 standards, in 1991 200 and in 1992 300.

The organization has 255 technical committees covering such things as furniture, cranes, roofing and the durability of wood. More than 1,000 working groups are in action. The procedure is for a committee to produce a draft standard that is exposed to six months of public comment. It then goes back to the committee for revision. A final draft will be submitted to all the national members of the CEN, who will be encouraged to consult everyone concerned. There is a vote, and if the draft receives a sufficient majority it is published.

CEN claims to work on a basic principle of "openness and transparency" and also says, "Standards are developed on the basis of voluntary agreement between the interested parties." If safety is involved, the EC article will become part of individual nations' legislation, and in fact "voluntary" agreements are binding, even if they do not have the force of law, because those are the terms of the arrangement between CEN and its national members.

Some standards are easy. The basic size for a sheet of paper — called A4 — was a German idea that was quickly adopted everywhere. Standards for thermostat radiator valves are more complicated but do not involve national pride or emotions, so national standards made way for a European standard, and life is much easier for industry throughout Europe.

Some subjects are hugely complicated. CEN experts are looking into road traffic "informatics." The technology exists for cars to have a screen connected to map information, which tells a driver where he is and which way he must go. This is of great interest to the automobile industry, the military, geographers and mapmakers, road engineers, the electronics industry and others. It would be in the interests of all if a system that worked in Berlin also worked in Lisbon and London. CEN experts are working on it.

The size of things is a fruitful field. One dream — which seems possible — is for Europe-wide agreement on having the size of cans of peas and boxes of laundry detergent related to the size of supermarket shelves and carts and also related to the size of trucks and container ships.

There are failures. The British continue to drive on the left. France's high-speed train, the TGV, cannot go into Germany because of signaling differences. The unit pulling the train from Paris to Copenhagen will have four different systems in it to adapt to different demands made on it. This makes it hugely expensive and unexportable.

It is the labeling and content of foods that cause the biggest increase in national blood pressures. Is it essential that something called "pure orange juice" have seen the inside of an orange? Must "ice cream" have some connection with cows? Can one define what "petit pois extra fins" implies, or what must be in a "cassoulet"? Should there be inflexible rules about how to make a "camembert"?

The protection of the environment also poses difficult questions. Should a person be free to shoot passing small birds?

The principle is that consumers must be protected but diversity must remain. Fine lines have to be drawn.

### A More Business-Friendly Commission

Bureaucrats in Brussels react vigorously against the suggestion that a large and powerful EC bureaucracy is a threat to the 12 nation states and their citizens.

"First of all, it is not large," one official says. "Say 13,000 to 14,000 people. About what it takes to administer an average-sized city. It is smaller than the Scottish Office in Britain."

Second, the EC Commission proposes, but the Council of Ministers disposes. In other words, ultimate power resides with the elected representatives of the people in the 12 states, not with the bureaucrats. It is often tempting for a government to blame an unpopular measure on people in offices in Brussels, but it is rarely true.

It is certainly a bureaucracy, however, and it does exercise some power in administering the decisions of the Council of Ministers. "The more you create a single market, the more you need to police it," says an official concerned with competition.

Free trade can be thwarted by cartels, restrictive agreements and excessive subsidies. The idea of competition goes against some national traditions, according to the official. Germany believes in it, unlike many other European states. "We have to synthesize an enthusiasm for competition," he says.

"The natural tendency for companies is toward cartels," he says. "And the natural tendency for governments is to subsidize. We have to act as a referee."

Much is done by persuasion, but there can also be compulsion, backed by the Court of Justice. The policy is to oppose subsidies only if they distort or threaten to distort competition. Aid to depressed regions or to promote new economic activities is permitted, for instance. But aid has to be "carefully modulated," he says. "The aim is to create a level playing field," according to the official.

Cartels, on the other hand, are described as "bad news for everyone." Agreements on market-sharing, price-fixing, exclusive purchase or selective distribution can all be banned. Action is pending on alleged cartels concerning cement, steel, sugar, cardboard packaging and PVC materials. In the past, successful action has been taken in such fields as zinc, dyestuffs, recorded music, automobiles and champagne.

On mergers, the commission took steps in September 1990 to allow it to act only in large cases and in cases that involve more than one European country. The new rules also provided for swifter action and for rulings given in advance. Since that date, it has considered 110 proposed mergers and only blocked one, proposing conditions in eight other cases.

The thrust is to make the commission "more business-friendly," the official says. Block exemption rules are possible. "If you meet the conditions, we will wave you through," he says.

No one denies the difficulties of "an uneasy synthesis of 12 countries," in the words of the official. There was no "emotional bottom" to the idea of a united Europe, he admits, but he adds: "The feeling is growing that it is better for us to be together."

The 1992 date itself has no real significance. It was pulled out of the air simply to provide a deadline to be aimed at. "It was a confidence trick," says the official. "But it was a good confidence trick." Ken Mackenzie

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WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Limited, London, Tel: 022 40 00. Prices may vary according to market conditions and other factors. Dec. 11

Canadian Dollars

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask. Lists various Canadian bond issuers and their respective bond details.

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask. Lists various international bond issuers and their respective bond details.

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MUTUAL FUNDS

Figures as of close of trading Friday, Dec. 11.

Large table listing various mutual funds with columns for fund name, price, and other details.

(Continued on next page)



New International Bond Issues

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes Floating Rate Notes, Fixed-Coupons, and Equity-Linked.

Bond Bears Fear Signs Of Revival

Compiled by Our Staff From Dispatches NEW YORK — The U.S. Treasury market will closely watch auto sales and housing starts this week for any further signs of sharp improvement in consumer spending.

Toyota Deal Would Give GM Big Boost in Japan

Compiled by Our Staff From Dispatches DETROIT — General Motors Corp. and Toyota Motor Co. are discussing plans for Toyota to begin selling 50,000 GM-built small cars a year in Japan beginning in 1995, a trade magazine said.

The magazine said the cars would be equipped with the steering wheel on the right side because the Japanese drive on the left side of the road.

For Toyota, such a deal could help ease trade tensions created by its push to sell U.S.-built and imported cars and trucks in the United States.

The Week Ahead: World Economic Calendar, Dec. 14-19

Table with columns: Date, Event, Location. Lists economic events for Dec 14-19 across various countries including USA, Europe, Japan, and others.

BUSINESS BRIEFS

U.S. Executives Sound Upbeat Note

NEW YORK (NYT) — A growing number of America's senior executives say the U.S. economy is improving. Sixty percent of 499 senior executives consulted in a New York Times/CBS News poll in early December said they believed the economy was getting better.

FRANC: In Search of a Solution

(Continued from page 1) disadvantage at a time when economic slowdown is hurting exports. Higher interest rates, not very credible with unemployment so high and French parliamentary elections approaching, carry over less conviction as they only risk to compound problems for domestic banks that could then begin to infect other parts of the financial system.

German Warning on Falling Income

BONN (Combined Dispatches) — The leader of Chancellor Helmut Kohl's junior coalition party, the Free Democratic Party, said Sunday that West Germans will have to accept lower income to support Eastern areas.

U.S. Is Taiwan's Biggest Supplier

TAIPEI (AFP) — The United States has replaced Japan as the largest supplier of goods to Taiwan for the first time in more than four decades, economists officials said Sunday.

For the Record

Major Japanese commercial banks are becoming reluctant to offer loans at prime rates and such loans are becoming a smaller part of total loan business, Nihon Keizai Shimbun said.

TAX: Clinton Proposals Run Up Against Mathematics

(Continued from first finance page) their wings clipped during the last few years of economic drift. The number of taxpayers reporting pretax income of \$1 million or more dropped from 62,000 in 1988, to 58,000 in 1989, and their share of total income shrank from 5.5 percent to 4.7 percent. Their income in excess of \$1 million, which would be subject to a surcharge under the Clinton plan, fell 13 percent in 1989.

Euromarts At a Glance

Table with columns: Eurobond Yields, Weekly Sales, Labor Rates. Provides financial data for various markets.

Last Week's Markets

Table with columns: Stock Indexes, Money Rates. Lists market performance for Dec 11-13.

MUTUAL FUNDS

Table with columns: Fund Name, Bid, Ask. Lists mutual fund performance.

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MONDAY SPORTS TENNIS

Tomba Fails To Overtake Girardelli

ALTA BADIA, Italy — Marc Girardelli, a four-time World Cup overall champion, withstood a sensational second-run comeback by Alberto Tomba and the unexpected challenge of a Frenchman to win the giant slalom on Sunday.



Marc Girardelli of Luxembourg clearing a gate Sunday en route to his giant slalom victory, which made him the overall standings leader.

Maier of Austria Edges Norwegian in Super-G

VAIL, Colorado — Ulrike Maier of Austria won her second World Cup skiing race of the season here Sunday with a victory in a super-giant slalom.

second behind Kerrin Lee-Granger of Canada. Vogt made the most of her gliding ability on the flatter stretches of the upper course, then hung on through the technical turns near the end to win.

Stich Takes the Big Prize German Defeats Chang to Win \$2 Million

MUNICH — Michael Stich turned a disappointing season into a \$2 million payday on Sunday with a straight-set victory over Michael Chang in the Grand Slam Cup final.

Such became the second German to win a big season-ending tennis tournament. Boris Becker, who skipped the Grand Slam Cup, won the ATP Tour World Championship last month.

and Stich broke again for a 5-2 lead. Serving for the match, Stich double-faulted to face a break point, but came back and converted his first match point with a volley off a good serve.

Baseball Antitrust Exemption: License to Steal?

NEW YORK — For 70 years, baseball has protected its antitrust exemption as if it were the steal sign. But more than ever before, Congress has begun to wonder if maybe it really is the steal sign.

roll-call vote, the onetime ace of the Detroit Tigers and the Philadelphia Phillies will fire his best fastball. "The time has come to disregard the exemption," Bunning said from his office.

argued that Baltimore was "not a major-league city." Charles Ebbers, the owner of the Brooklyn Dodgers, argued that Baltimore had "too large a colored" population.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, Dec. 11.

Table with columns for stock symbols, prices, and market data. Includes sub-sections for 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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MONDAY SPORTS SOCCER

São Paulo Rallies Past Barcelona

By Steven Brill
International Herald Tribune
TOKYO—Any doubts that the Japanese are excited about soccer to support the professional league that starts here in May dissolved Sunday when São Paulo defeated Barcelona, 2-1, in the world soccer club championship.

At the outset, Barcelona was boss. Hristo Stoichkov of Bulgaria scored the first goal after 12 minutes, zapping a left-foot shot into the far left corner of the goal. Barcelona seemed to have the match sewed up.

But the scrappy São Paulo subsequently shored up its defense while continuing its South American-style wildcat strikes.

In the second half we gained control of the midfield and created

more opportunities to score," said São Paulo's coach, Tele Santana. For the 61-year-old Brazilian, who led Brazil's World Cup campaigns in 1982 and 1986, winning the Toyota Cup was an achievement.

I don't have words to express my happiness," Santana said, moments after the victory. "It's an unprecedented title for Brazil and we conquered with merit."

European teams have won the cup the past three years.

But the moment was savored as much by Japanese companies who have been preparing for more than 10 years to start the country's first

professional soccer league with 10 teams. The Toyota Cup is the main event used to promote soccer in a country where fans are accustomed to more slow-paced sports such as sumo wrestling and baseball.

Although the United States has failed to create much interest in the world's most popular sport, the Japanese appear more likely to succeed. Tickets for the match in the 60,000-seat National Olympic Stadium sold out in two weeks.

Soccer, now broadcast regularly on nationwide television, is rapidly gaining in popularity among young people in Japan, mostly at the expense of baseball. Interest grew after Japan won the Asia Cup this year.

Borrowing on techniques that make cars, automobiles and semiconductors industries global competitors, Nissan Motor Co., Mazda Motor Co., Yamaha and other giant companies sponsoring teams are digging deep into their pockets and thinking long term.

More than 30 Brazilian players are in Japan, creating interest and nurturing talent. Big-name stars past their prime, such as Zico of Brazil and Gary Lineker of Britain, draw fan salaries.



São Paulo's Rai goes flying to head in a pass from Müller for a goal, as Richard Witschge of Barcelona (center) tries in vain to block.

Italian Players Say 'No to Racism'

ROME—Responding to growing racial intolerance in Italy, all Italian first- and second-division soccer teams took the field on Sunday carrying banners bearing the inscription, "No to Racism," in an initiative organized by the Italian Players' Association.

On the field, AC Milan beat Ancona 2-0 to extend its lead in the standings to six points over Internazionale, Fiorentina and Torino.

Rudd Gullit, AC Milan's black Dutch star, had called for some action after he was harassed at a game in November.

In Germany, where foreigners get eight of the first-division goals scored Saturday, all clubs replaced the name of their sponsors or their shirts worked against his team.

SCOREBOARD

NBA Standings

Table showing Eastern Conference and Western Conference NBA Standings for various teams like New York, Boston, Washington, etc.

Major College Soccer

Table showing results for various college soccer games including Stanford, USC, and other teams.

World Cup Results

Table showing results for the World Cup in different categories like Giant Slalom, Skiing, etc.

WOMEN

Table showing women's sports results and standings.

HOCKEY

Table showing NHL Standings for various hockey teams.

SOCCER

Table showing various soccer matches and results.

CRICKET

Table showing cricket match results.

BASEBALL

Table showing baseball match results.

FRIDAY'S RESULTS

Table showing sports results for Friday, including basketball, soccer, and other events.

WORLD SERIES

Table showing the schedule and results of the World Series.

FRENCH FIRST DIVISION

Table showing French football league results.

SPANISH FIRST DIVISION

Table showing Spanish football league results.

ENGLISH PREMIER LEAGUE

Table showing English football league results.

WORLD SERIES CUP

Table showing international sports event results.

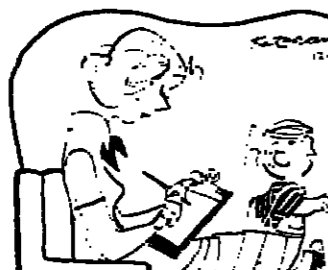
FOURTH ONE-DAY INTERNATIONAL

Table showing international cricket match results.

BASEBALL

Table showing baseball match results.

DENNIS THE MENACE



PEANUTS



BLONDIE



BEETLE BAILEY



DOONESBURY



WIZARD OF ID



PETS



REX MORGAN



JUMBLE

A word search puzzle titled 'Jumble' with a list of words and a grid of letters.

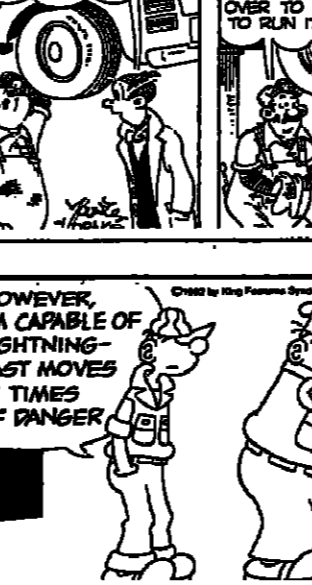
Garfield



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# Hitler Diaries as Comedy? It's 'Schtonk'

By John Rockwell  
New York Times Service

MUNICH — Last year, the Germans incurred a good deal of international disapproval for refusing to offer Agnieszka Holland's "Europa, Europa" as a contender for the best foreign-film Oscar.

The ostensible reason was that Holland was Polish-French and the film's financing was not German, despite the film's German actors and crew and its use of the German language.

The movie, about a Jewish teenager who disguises his identity during World War II, was called "an embarrassment" by the head of the German Export Film Union. A wide range of progressive German film-makers and actors protested their country's decision.

Now that Germany is widely in the news because of neo-Nazi attacks on foreigners, the Germans have nominated (for both the Oscars and the Golden Globe Awards) a film about neo-Nazis and the forgery of the Hitler diaries.

Entitled "Schtonk," the movie is a comedy, no less. One might well think that the Germans have shot themselves in the foot once again, national unwise.

But the story is more complicated than that, and "Schtonk" — which will be shown at the Museum of Modern Art in New York in early January (as part of a series on German films) — is clever and more politically astute than the description might suggest.

Heinrich Dietl, its affable writer and director, was born in 1944, raised in Munich and is still based here. But unlike most Bavarians, traditionally conservative and provincial, he is a firm proponent of democracy and a Western orientation for Germany.

His idol is Billy Wilder, the masterly Vienna-born director of comedies. Dietl lived in Los Angeles for four years, directing commercials and videos and trying to put together a film about the Chateau Marmont, a residential hotel on Sunset Boulevard that has seen its share of celebrities at their best and worst. He also has a house in the south of France.

Dietl's film won this year's German Film Prizes (the German Oscars) for best picture, best director and best actor — the last to Götz George, who plays Hermann Willié, a down-and-out journalist who thinks he has the scoop of the century.

In Germany alone, more than two million tickets have been sold for "Schtonk," although a big American film like "Terminator 2" sells more than twice that many. The word "schtonk" is a meaningless expletive uttered by Charlie Chaplin in "The Great Dictator." The script, written with Ulrich Limmer, is based on fact.



Götz George, as the down-and-out journalist in "Schtonk," won this year's German Film Prize for best actor.

In 1983 the Willié prototype, a reporter named Gerd Heidemann, thought he had found the actual diaries of the Führer, which were really forged by a man named Konrad Kujau. Heidemann sold the publication rights to the popular German weekly Der Stern for more than \$5 million, and Der Stern rushed excerpts into print without doing much checking.

Kujau, who had an ornate private life involving a bickering wife and mistress under the same roof, was pressured to crank out 29 more volumes, hurling even aspects of his own private life onto the pages ("I am suffering from wind in the gut").

Three days after Der Stern's scoop, the diaries were dismissed by German government experts as the "superficial concoction of a copyist endowed with limited intellectual capacity."

Dietl said that he had had almost no contact with the actual conspirators — none with Kujau, and only one day with Heidemann, who visited the set. "I didn't want my vision to be distracted by the real thing," the director said.

Heidemann and Kujau, both of whom served jail terms, are each separately still pursuing Nazi memorabilia, by the way: Kujau is on the trail of stolen art treasures, and Heidemann unearthed a piano and a guillotine actually owned by Hitler.

In his film, Dietl portrays nostalgic and neo-Nazi in wickedly satirical terms, but he also mocks Der Stern's greedy gullibility, the reporter's desperate need to believe in his discovery and the crazed ingenuity of Kujau, whose character is called Fritz Knobel.

Dietl says his film has appealed to German sophisticates, not to a perhaps more conservative provincial public. "We made an analysis," he said. "The people who went to this film were the 'good Germans'; they made it a success. The neo-Fascists and the neo-Nazis, they were strongly against it."

"I am a child of the Bundesrepublik," he said, referring to Western Germany. "As I watched the country being reunited, I couldn't participate in the joy. I can understand it as basically a good thing, but my background makes me afraid. I guess I am a German, and I like this country, but I'm not ready to wave the German flag."

Despite the success of this one movie, Dietl does not predict a revival of German films, in the doldrums since the death a decade ago of Rainer Werner Fassbinder. Nor does he see "Schtonk" as a leader of that revival.

"There is no German film industry anymore," said the director, who notes that he himself has no problem raising capital for a film every few years.

"If you want to make a film in Germany, it's like trying to plant something on the North Pole. People want to cast me as the savior of German film, but I can't accept that."

Dietl, who has worked on television series and films, blames television for the decline of the German film industry. "Certain principles that make for good films aren't respected anymore," he said. "Quality is no longer a goal — the idea is just to get it done. How it looks is irrelevant, because that's not important on TV. In France, there's still a pride about film."

Even with his German success, "Schtonk" has not been an easy sell abroad. As Dietl put it recently, "When outsiders hear the words 'German comedy,' it sounds the same to them as 'Swedish spaghetti' — a contradiction in itself."

The recent wave of German anti-Semitism and neo-Nazi attacks on foreigners has only compounded the film's marketing difficulties.

"It is being released in January in England, by a small distributor of art films," he said. "But it hasn't been sold yet in Japan, and in America, they're afraid how the public will react. What's happening in Germany today is like a first step to a catastrophe. It makes me nervous, too."

## LANGUAGE

# The Synonymy of Renewal

By William Safire

WASHINGTON — I was having some trouble with a leaky copper gutter, and the beams in the basement looked bent out of shape, so I called Martha Stewart.

This author of cookbooks and guides to weddings and other entertainments has a new book out — "New Old House" — dealing with restoration and renovation. Actually, not gutters but leaders are my problem; during Washington's interregnum, the synonymy of renovat was both being me.

She writes in the book, after consulting the Random House dictionary:

**It takes a heap of livin' to make a housekeeper.**

"It is my understanding that a restoration is a pure, line-for-line replication of a space or object, as nearly as possible to its original state. A renovation is a rebuilding of a space or object, with less attention paid to authenticity than to making it new again."

I wanted to hear a less formal differentiation from her own lips. "Renovation is putting things back the way they were," Martha Stewart says. "It's making a house like a museum, the way it was when first built — taking new paint off old panelling, taking it back in time."

"Renovation is making something new again — putting in bathrooms, knocking out walls, making an old house more livable for today."

And what about rehabilitation, remodeling and refurbishment? "You're going to have to work those out for yourself," she said. "Where did I put that ruler with the bubble in the middle? Here we go."

The noun restoration dates back to the 15th century. In British history, the Restoration (which ended the interregnum) began in 1660 when Charles II returned to England and re-established the monarchy. George F. Will uses the term to title his new book on Congressional reform, intended to restore respect to Congress. "Term limitation," he concludes, "is measured,

moderate and — let it be said — loving step toward such a restoration." The older renovation dates back to the early 1400s.

The Latin habitus is the root of "ability"; English picked up the meaning of rehabilitate in 1580, as "to re-establish the privileges of one who has been degraded or attainted." A Scottish register announced, "Our Sovereign Lord . . . rehabilitat and restorid the said Robert . . . to his gude fame." Thus, rehabilitate is close to "restore to a previous state," while renovate is closer in meaning to renew, or "make new again," but not necessarily to replicate — meaning "copy, reproduce" — the house that used to be. Both are far from remodel, which means to change the floor plan or alter the structure.

Refurbish, a word much mocked when used by Walter H. Annenberg in telling Queen Elizabeth of his plans for the American ambassador's residence, originally meant "to re-polish"; now its meaning lies somewhere between redecorate, "to redo the style of interior furnishings," and spruce up, perhaps from spruce leather, a smart item once imported from Prussia.

So what is Martha doing to her house? "I'm renovating the inside and restoring the outside," she says, "while working on a new book about housekeeping."

Homekeeping? It's not just housekeeping: once your house becomes your home, you have more at stake. (It takes a heap of livin' to make a housekeeper a home-keeper.)

"I'm not going to be buffalooed into appointing independent counsels," declared Attorney General William P. Barr, derided as the Cover-Up General by the frigate implacables, "by political clamor and by the views of editorial writers."

In the same week, the colorful Americanism found its way into the Newsweek subhead: "Don't get buffalooed" was its advice to President-elect Bill Clinton, who had made a concession to the Senate majority leader, George Mitchell. (That was followed by "He'd better wise up or he'll get steamrollered again.") The more familiar slang term is steamrollered: perhaps the writer wanted to play on being

"rolled," taken advantage of, as well as being flattened by being run over by a steamroller.)

The meaning of to be buffalooed is "to be overawed, intimidated or confused." Do not confuse it with bulldozed, which means "pushed aside roughly" and is synonymous with steamrollered. The origin of buffalooed may be in "to be cowed," or frightened into submission; buffaloo has long been used for "a cow without horns" as well as for the bison.

The Dictionary of American Regional English cites an 1896 Dialect Notes entry, "Buffaloo: to confuse, rattle." In 1929, American Speech reported, "When a cow becomes confused it is buffalooed."

That is no longer the common usage, nor is the verb used in the active voice. In current use, to be buffalooed is to be dumfounded, spooked, unmoved. It is nice to see this fine old bit of folklore on the rise in Washington, where the skies are no longer cloudy all day.

"I want to put a fist halfway down their throats with this," an irate Bill Clinton was quoted as saying by Mark Miller in Newsweek, adding, "I want their teeth on the sidewalk."

In a recent column, I noted the richness and unexpected power of this dialect use by the president-to-be and wondered if the reporter was on the scene when the words were spoken.

Turns out he was right there. Mark Miller called to say he heard the expressions with his own ears and made contemporaneous notes. Thus is history served: few other statements by the campaigning Clinton will be noted as lip-smacking by historians.

Miller says, "The figures of speech are not an affectation — he really talks that way; he's comfortable with Arkansas slang. When I once beat Governor Clinton at hearts — a rare thing for me — I got him to sign the score sheet, and he wrote, 'Even a blind hog can find an acorn.'" Razorbackese is in.

New York Times Service

## INTERNATIONAL CLASSIFIED

Appears on Page 6

## WEATHER

Weather forecast section including maps for Europe, North America, Asia, and Latin America, with temperature and precipitation data for various regions.

## CROSSWORD

Crossword puzzle grid with clues for Across and Down words, and a solution for the puzzle of Dec. 11.

## BOOKS

Book reviews including 'The Venerable Bead' by Richard Condon, 'Small Game' by John Blades, and 'The Hero of John Blades'.

## BRIDGE

Bridge column discussing a match between the Reisinger Board and the Fall Nationals, and providing a hand analysis.

Large advertisement for AT&T USADirect Service, featuring a globe and the slogan 'Speed up the approval process.' Includes contact information for various international regions.